

Redrow Homes (South Midlands) Limited

Annual report

for the year ended 30 June 2003

Registered Number 3522321



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Redrow Homes (South Midlands) Limited

Annual report

for the year ended 30 June 2003

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Redrow Homes (South Midlands) Limited

Directors and Advisors for the year ended 30 June 2003

Directors

W J Brand
P R Dunthorne
J F Tutte
Redrow Homes Limited
R K Smith
H Caffery

Secretary

G A Cope

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers

Barclays Bank PLC
Corporate Banking Centre
PO Box 1015
3rd Floor
3 Windsor Place
Cardiff
CF10 3ZL

Registered Office

Redrow House
St David's Park
Flintshire
CH5 3RX

Registered Number

3522321

Redrow Homes (South Midlands) Limited

Directors' report for the year ended 30 June 2003

The directors present their report and the audited financial statements of the company for the year ended 30 June 2003.

Principal activities and business review

The principal activity of the company is residential development.

The directors are pleased with the progress of the business during the year and consider the state of affairs at the end of the year, and the future prospects of the company, to be satisfactory.

Dividends and transfers to reserves

The directors have not declared a dividend in respect of the year ended 30 June 2003 (2002: £Nil). The deficit for the year of £279,156 (2002: deficit £28,550) will be transferred to reserves.

Directors and their interests

The directors who held office during the period are given below:

W J Brand

I Cox – resigned 28 February 2003

P R Dunthorne

J F Tutte

Redrow Homes Limited

R K Smith – appointed 15 January 2003

H Caffery – appointed 2 June 2003

Redrow Homes Limited is the immediate parent company of the majority of the Redrow Homes trading subsidiaries.

At 30 June 2003, the interests in the share capital of Redrow plc of J F Tutte are disclosed in the financial statements of Redrow plc, the interests of W J Brand are disclosed in the financial statements of Redrow Homes Limited and the interests of P R Dunthorne are disclosed in the financial statements of Redrow Homes (Southern) Limited.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMU

The company's approach to this issue is being co-ordinated by its ultimate parent company, Redrow plc, and full details are disclosed in the financial statements of that company.

Redrow Homes (South Midlands) Limited

Taxation status

As far as the directors are aware, the company is not a close company as defined by Section 414 of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 25 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the Board



G A Cope
Secretary

14 November 2003

Redrow Homes (South Midlands) Limited

Independent auditors' report to the members of Redrow Homes (South Midlands) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable 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 issued by the Auditing Practices Board.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person other than the company to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 directors' report 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 is not disclosed.

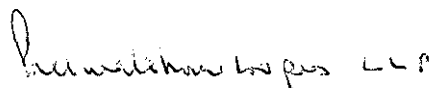
Basis of audit opinion

We conducted our audit in accordance with 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
14 November 2003

Redrow Homes (South Midlands) Limited

Profit and loss account for the year ended 30 June 2003

	Note	2003 £	2002 £
Turnover	1	-	-
Operating loss	1	(407,081)	(39,850)
Interest received		11,066	-
Loss on ordinary activities before taxation	4	(396,015)	(39,850)
Tax on loss on ordinary activities	5	116,859	11,300
Loss on ordinary activities after taxation		(279,156)	(28,550)
Loss for the financial year	12, 13	(279,156)	(28,550)

Operating loss is generated from continuing operations.

The company has no recognised gains and losses other than those included in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

Redrow Homes (South Midlands) Limited

Balance sheet as at 30 June 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	6	1,408	-
Current assets			
Stocks	7	16,952,034	-
Debtors	8	1,575,386	87,516
Cash at bank and in hand		413,640	600
		18,941,060	88,116
Creditors: amounts falling due within one year	9	(19,425,363)	(291,950)
Net current liabilities		(484,303)	(203,834)
Total assets less current liabilities		(482,895)	(203,834)
Provision for liabilities and charges	10	(95)	-
Net assets		(482,990)	(203,834)
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	(482,992)	(203,836)
Equity shareholders' deficit	13	(482,990)	(203,834)

The financial statements on pages 5 to 12 were approved by the board of directors on 14 November 2003 and were signed on its behalf by:



W J Brand
Director

Redrow Homes (South Midlands) Limited

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

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

Tangible fixed assets

Fixed assets are depreciated on a straight line basis over their expected useful lives at the following principal annual rates:

	%
Fixtures and fittings	25

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value, cost including materials, labour and subcontract work.

Turnover and profit recognition

Turnover represents sales of residential housing. Profit is recognised on legal completion.

Interest on borrowings

Interest is written off as incurred.

Operating leases

Costs in respect of operating leases are charged against profit on a straight line basis over the lease term.

Deferred taxation

Deferred tax is provided on timing differences arising from the recognition of income and expenditure in different periods for taxation and accounting purposes where timing differences have originated but not reversed by the balance sheet date. Deferred tax is provided at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are only recognised to the extent that 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 recognised have not been discounted.

Pension scheme

The Group operates a contributory pension Scheme for all its staff. The Scheme comprises two sections: a defined benefits section and a defined contribution section. The Scheme is externally invested and the funds of the Scheme are administrated by trustees. The Groups' contributions to the defined benefits section, which are made in accordance with recommendations of independent actuaries, are charged against profits in accordance with Statement of Standard Accounting Practice No. 24. Contributions to the defined contribution section are charged in the year in which the contributions are made. The company will account for the pension scheme as a defined contribution scheme in accordance with paragraph 12 of Financial Reporting Standard 17.

Cash flows

The company is a wholly owned subsidiary of Redrow plc, and its cash flows are included in the consolidated cash flow statement of Redrow plc. Consequently, the company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement.

Forward land

All expenditure relating to forward land, including options, fees etc. is provided for when incurred. After exercise of an option and acquisition of the land following the securing of planning permission, the provisions relating to that land are released.

Redrow Homes (South Midlands) Limited

Notes to the financial statements for the year ended 30 June 2003

1 Operating profit

	2003 £	2002 £
Turnover	-	-
Cost of sales	(45,587)	(3,173)
Gross loss	(45,587)	(3,173)
Administrative expenses	(361,494)	(36,677)
Operating loss	(407,081)	(39,850)

2 Directors' emoluments

	2003 £	2002 £
Emoluments		
Aggregate emoluments	113,622	18,636

3 Employee information

The average monthly number of persons employed by the company during the year was:

	2003 Number	2002 Number
By activity		
Directors and administrative staff	4	4
	£	£
Wages and salaries	167,974	18,500
Social security costs	17,500	2,019
Other pensions costs	16,221	1,917
Staff costs	201,695	22,436

Redrow Homes (South Midlands) Limited

4 Loss on ordinary activities before taxation

	2003 £	2002 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation for the year	50	-
Auditors' remuneration	2,500	2,000

5 Taxation

	2003 £	2002 £
Current year		
United Kingdom corporation tax at 30% (2002: 30%)	(116,954)	(11,844)
Under provision in respect of prior period	-	544
Deferred taxation	95	-
	(116,859)	(11,300)
Reconciliation of current taxation charge		
Tax on total profits at 30% (2002:30%)	(118,804)	(11,955)
Under provision in respect of prior year	-	544
Net expenses not deductible for tax purposes	1,945	111
	(116,859)	(11,300)

It is expected that the effective rate will approximate to a standard corporation tax charge in the new financial year.

Redrow Homes (South Midlands) Limited

6 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 July 2002	-
Additions	1,458
At 30 June 2003	1,458
Depreciation	
At 1 July 2002	-
Charge for the year	50
At 30 June 2003	50
Net book amount	
At 30 June 2003	1,408
At 30 June 2002	-

7 Stocks

	2003 £	2002 £
Land for development	15,726,112	-
Work in progress	1,225,922	-
	16,952,034	-

8 Debtors

	2003 £	2002 £
Amounts owed to group undertakings	649,983	-
Other debtors	716,341	502
Group relief	203,745	86,791
Prepayments	5,317	223
	1,575,386	87,516

Redrow Homes (South Midlands) Limited

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank borrowings	-	72,850
Trade creditors	326,805	-
Amounts due in respect of land for development	601,716	-
Amounts owed to group undertakings	18,472,340	215,313
Accruals and deferred income	24,502	3,787
	19,425,363	291,950

Amounts owed to the company's ultimate holding company, Redrow plc, are secured by a floating charge over the company's present and future undertakings and assets. This charge does not take priority over any charge issued in favour of any other party.

10 Provisions for liabilities and charges

	Deferred taxation £
At 1 July 2002	-
Transferred from profit and loss account	95
At 30 June 2003	95

Deferred Taxation

The deferred tax liability arises from accelerated capital allowances.

11 Called up share capital

	2003 £	2002 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid up		
2 ordinary shares of £1 each	2	2

Redrow Homes (South Midlands) Limited

12 Reserves

	Profit and loss account £
As at 1 July 2002	(203,836)
Loss for the year	(279,156)
At 30 June 2003	(482,992)

13 Reconciliation of movements in equity shareholders' deficit

	2003 £	2002 £
Loss for the financial year/period	(279,156)	(28,550)
Opening shareholders' deficit	(203,834)	(175,284)
Closing shareholders' deficit	(482,990)	(203,834)

14 Pensions and similar obligations

The company participates in The Redrow Staff Pension Scheme which is a self-administered, defined benefits scheme, with contributions based on the pension costs of the whole Redrow Group. These were at the rate of 12% of pensionable earnings. Details of the latest actuarial valuation will be found in the financial statements of Redrow plc.

As at 30 June 2003, The Redrow Staff Pension Scheme is in deficit.

15 Contingent liabilities

The company provides cross guarantees in respect of the Redrow plc syndicated loan, details of which are in the Redrow plc Annual Report and Accounts.

16 Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exception under FRS8 not to disclose intra-group transactions. There have been no other related party transactions.

17 Ultimate and immediate parent company and controlling party

The company's ultimate holding company and controlling party is Redrow plc, a company incorporated in Great Britain. The company's immediate parent company is Redrow Homes Limited, a company incorporated in Great Britain. Copies of the Redrow plc financial statements may be obtained from the Company Secretary, Redrow plc, Redrow House, St David's Park, Flintshire, CH5 3RX.