

Redrow Homes (South Midlands) Limited
Annual report
for the year ended 30 June 2004

Registered Number 3522321



Redrow Homes (South Midlands) Limited

Annual report

for the year ended 30 June 2004

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Redrow Homes (South Midlands) Limited

Directors and Advisors for the year ended 30 June 2004

Directors

W J Brand
P R Dunthorne
J F Tutte
Redrow Homes Limited

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 2004

The directors present their report and the audited financial statements of the company for the year ended 30 June 2004.

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 paid a dividend of £500,000 (2003: £Nil) in respect of the year ended 30 June 2004. The profit for the year of £897,870 (2003: loss £279,156) will be transferred to reserves.

Directors and their interests

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

W J Brand

P R Dunthorne

J F Tutte

Redrow Homes Limited

R K Smith - resigned 2 June 2004

H Caffery - resigned 2 February 2004

R Monkman - appointed 1 July 2003 and resigned 30 June 2004

S Irons was appointed as a director on 23 August 2004.

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

At 30 June 2004, 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 2004 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

Directors' report for the year ended 30 June 2004 (continued)

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

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

15 November 2004

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.

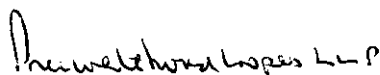
Basis of audit opinion

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 2004 and of its profit 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

15 November 2004

Redrow Homes (South Midlands) Limited

Profit and loss account for the year ended 30 June 2004

	Notes	2004 £	2003 £
Turnover	1	19,004,394	-
Operating profit/(loss)	1	1,993,396	(407,081)
Interest received		5,952	11,066
Profit/(loss) on ordinary activities before taxation	4	1,999,348	(396,015)
Tax on profit/(loss) on ordinary activities	5	(601,478)	116,859
Profit/(loss) on ordinary activities after taxation		1,397,870	(279,156)
Dividends paid	13	(500,000)	-
Profit/(loss) for the financial year	12, 13	897,870	(279,156)

Operating profit/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 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	6	22,944	1,408
Current assets			
Stocks	7	31,707,140	16,952,034
Debtors	8	1,223,113	1,575,386
Cash at bank and in hand		6,005,284	413,640
		38,935,537	18,941,060
Creditors: amounts falling due within one year	9	(38,542,881)	(19,425,363)
Net current assets/(liabilities)		392,656	(484,303)
Total assets less current liabilities		415,600	(482,895)
Provision for liabilities and charges	10	(720)	(95)
Net assets		414,880	(482,990)
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	414,878	(482,992)
Equity shareholders' funds/(deficit)	13	414,880	(482,990)

The financial statements on pages 5 to 12 were approved by the board of directors on 15 November 2004 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 administered 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 (revised 1996) 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 2004

1 Operating profit

	2004 £	2003 £
Turnover	19,004,394	-
Cost of sales	(15,157,451)	(45,587)
Gross profit/(loss)	3,846,943	(45,587)
Administrative expenses	(1,853,547)	(361,494)
Operating profit/(loss)	1,993,396	(407,081)

2 Directors' emoluments

	2004 £	2003 £
Emoluments		
Aggregate emoluments	305,891	113,622

	2004 £
Highest paid director	166,405

The highest paid director was a member of the defined benefit pension scheme during the year but left during the year with less than two year's service. He was therefore entitled to a refund of his own contributions to the scheme and has no accrued benefit in the scheme at 30 June 2004.

3 Employee information

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

	2004 Number	2003 Number
By activity		
Directors and administrative staff	13	4
Site personnel	18	-
	31	4
	£	£
Wages and salaries	1,025,238	167,974
Social security costs	111,043	17,500
Other pensions costs	78,809	16,221
Staff costs	1,215,090	201,695

Redrow Homes (South Midlands) Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

4 Profit / (Loss) on ordinary activities before taxation

	2004 £	2003 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation for the year	4,762	50
Hire of plant and machinery	493,053	-
Rental of land and buildings	36,600	-
Auditors' remuneration	3,000	2,500

5 Taxation

	2004 £	2003 £
Current year		
United Kingdom corporation tax at 30% (2003: 30%)	600,853	(116,954)
Deferred taxation	625	95
	601,478	(116,859)
Reconciliation of current taxation charge		
Tax on total profits at 30% (2003:30%)	599,804	(118,804)
Net expenses not deductible for tax purposes	1,049	1,850
	600,853	(116,954)

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

Notes to the financial statements for the year ended 30 June 2004 (continued)

6 Tangible fixed assets

	Fixtures & fittings £
Cost	
At 1 July 2003	1,458
Additions	26,298
At 30 June 2004	27,756
Depreciation	
At 1 July 2003	50
Charge for the year	4,762
At 30 June 2004	4,812
Net book amount	
At 30 June 2004	22,944
At 30 June 2003	1,408

7 Stocks

	2004 £	2003 £
Land for development	21,349,299	15,726,112
Work in progress	11,098,125	1,225,922
	32,447,424	16,952,034
Less: payments received on account	(740,284)	-
	31,707,140	16,952,034

8 Debtors

	2004 £	2003 £
Trade debtors	26,111	
Amounts owed to group undertakings	1,100,858	649,983
Other debtors	84,484	716,341
Group relief	-	203,745
Prepayments	11,660	5,317
	1,223,113	1,575,386

Redrow Homes (South Midlands) Limited

Notes to the financial statements for the year ended 30 June 2004 (continued)

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	2,951,516	326,805
Amounts due in respect of land for development	-	601,716
Amounts owed to group undertakings	35,089,920	18,472,340
Current corporation tax	370,491	-
Other tax and social security	10,918	-
Accruals and deferred income	120,036	24,502
	38,542,881	19,425,363

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 2003	95
Transferred from profit and loss account	625
At 30 June 2004	720

Deferred Taxation

The deferred tax liability arises from accelerated capital allowances.

11 Called up share capital

	2004 £	2003 £
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

Notes to the financial statements for the year ended 30 June 2004 (continued)

12 Reserves

	Profit and loss account
	£
As at 1 July 2003	(482,992)
Profit for the year	897,870
At 30 June 2004	414,878

13 Reconciliation of movements in equity shareholders' funds/(deficit)

	2004 £	2003 £
Profit/(loss) for the financial year	897,870	(279,156)
Opening shareholders' deficit	(482,990)	(203,834)
Closing shareholders' funds/(deficit)	414,880	(482,990)

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 2004, 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.