Redrow Homes (South Midlands) Limited

Annual report

for the year ended 30 June 2007

Registered number 3522321

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Redrow Homes (South Midlands) Limited

Annual report

for the year ended 30 June 2007

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Redrow Homes (South Midlands) Limited

Directors and Advisors for the year ended 30 June 2007

Directors
W J Brand
P R Dunthorne
J F Tutte
Redrow Homes Limited
S Irons
D H Livingstone
M Pratt
R T Gartside
S G Pickering
M Timlin

Secretary
G A Cope

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers
Barclays Bank PLC
Level 27
1 Churchill Place
Canary Wharf
London
E14 5HP

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 2007

The directors present their report and the audited financial statements of the company for the year ended 30 June 2007

Principal activities and business review

The principal activity of the company is residential development

Turnover for the year was £33,953,904 (2006 £29,601,979) Operating margin for the year was 4 6% (2006 7 6%) a reduction of 3 0% on the prior year, largely reflecting the change in product mix of completions between both years

Net assets as at 30 June 2007 were £2,084,171 (2006 £2,903,335), with the movement of £819,164 due to an increase in creditors of £37,311,090 offset by an increase in stocks of £36,509,434 and a decrease in cash of £781,080 The net asset movement primarily reflects the investment made into land held for development during the year, with the corresponding increase in amounts owed to group undertakings that was required to make this investment

Financial management of the business is in line with Redrow Group policy Further information on this can be found in the Chief Executive and Finance Director's business review as published in the Annual Report and Accounts of Redrow plc

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

Results and dividends
The directors do not recommend payment of a dividend in respect of the year ended 30 June 2007 (2006 £nil)

The loss for the financial year of £819,164 (2006 profit of £480,964) will be transferred to reserves

Directors
The directors who held office during the year and up to the date of signing of the financial statements are given below

W J Brand	
P R Dunthorne	
J F Tutte	
Redrow Homes Limited	
S Irons	- resigned 31 December 2006
M Pratt	- resigned 1 October 2007
R T Gartside	
D H Livingstone	
M Timlin	- appointed 2 April 2007
S G Pickering	- appointed 1 January 2007

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

Redrow Homes (South Midlands) Limited

Directors' report for the year ended 30 June 2007 (continued)

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 of the profit or loss of the company for that period

In preparing those financial statements, the directors are required to
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements for the year ended 30 June 2007

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

Statement of provision of information to auditors
So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Charitable contributions
Charitable contributions amounting to £8,459 (2006 £7,038) were made by the company during the year

Creditor payment policy
The company values its relationships with suppliers and sub-contractors It is the policy to agree credit terms prior to commencement of trading Subject to any items of genuine dispute, it is policy to pay creditors within the terms agreed At 30 June 2007, the company had 42 days' purchases outstanding in respect of payments to suppliers and sub-contractors (2006 54 days)

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
12 November 2007

Redrow Homes (South Midlands) Limited

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

We have audited the financial statements of Redrow Homes (South Midlands) Limited for the year ended 30 June 2007 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its loss 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
12 November 2007

Redrow Homes (South Midlands) Limited

Profit and loss account for the year ended 30 June 2007

	Note	2007 £	2006 £
Turnover	1	**33,953,904**	29,601,979
Operating profit	1	**1,553,780**	2,244,938
Net interest payable	4	**(2,729,238)**	(1,601,224)
(Loss)/profit on ordinary activities before taxation	5	**(1,175,458)**	643,714
Tax on (loss)/profit on ordinary activities	6	**356,294**	(162,750)
(Loss)/profit for the financial year	14	**(819,164)**	480,964

All amounts relate to continuing operations

The company has no recognised gains and losses other than those included in the results 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 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	7	**272,215**	25,853
Current assets			
Stock	8	**76,065,408**	39,555,974
Debtors	9	**863,409**	281,561
Cash at bank and in hand		**518,756**	1,299,836
		77,447,573	41,137,371
Creditors: amounts falling due within one year	10	**(75,543,729)**	(38,232,639)
Net current assets		**1,903,844**	2,904,732
Total assets less current liabilities		**2,176,059**	2,930,585
Provision for liabilities and charges	11	**(91,888)**	(27,250)
Net assets		**2,084,171**	2,903,335
Capital and reserves			
Called up share capital	12	**2**	2
Profit and loss account	13	**2,084,169**	2,903,333
Total shareholders' funds	14	**2,084,171**	2,903,335

The financial statements on pages 5 to 15 were approved by the board of directors on 12 November 2007 and were signed on its behalf by

D H Livingstone
Director

Redrow Homes (South Midlands) Limited

Statement of accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and 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 on the going concern basis

Tangible fixed assets
Fixed assets are shown at cost less accumulated depreciation Fixed assets are depreciated on a straight line basis over their expected useful economic lives at the following principal annual rates

	%
Fixtures and fittings	25
Plant and machinery	10-25

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 Turnover and profit are recognised on legal completion

Interest on borrowings
Interest is written off to the profit and loss account as incurred

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 funds of the scheme are administered by Trustees The scheme is externally invested and comprises two sections a defined benefit section and a defined contribution section.

i Defined contribution section
The company participates in the Group's defined contribution section The assets of the scheme are held separately from those of the company in an independently administered fund

ii Defined benefit section
The company participates in the Group's defined benefit section, the assets of which are held separately from those of the company in independently administered funds The Group's contributions to the defined benefits section, which are made in accordance with recommendations of independent actuaries, are charged against profit in accordance with IAS 19 As the company is unable to identify its share of the assets and liabilities of the Group scheme, it accounts for contributions as if they were to a defined contribution pension scheme, as permitted by FRS 17 Contributions are charged to the profit and loss account in the year

The pension cost charge as disclosed in note 3 represents employer contributions made in respect of both the defined benefit and defined contribution sections

Statement of accounting policies (Continued)

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 whose accounts are publicly available 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 2007

1 Turnover and operating profit

	2007 £	2006 £
Turnover	**33,953,904**	29,601,979
Cost of sales	**(30,125,195)**	(25,422,891)
Gross profit	**3,828,709**	4,179,088
Administrative expenses	**(2,274,929)**	(1,934,150)
Operating profit	**1,533,780**	2,244,938

2 Directors' emoluments

	2007 £	2006 £
Emoluments		
Aggregate emoluments	**450,988**	251,687

Retirement benefits are accruing to 3 (2006 4) directors under a defined benefit scheme During the year nil (2006 nil) directors exercised options over shares of Redrow Plc

	2007 £	2006 £
Highest paid director		
Emoluments	**164,793**	79,748
Defined benefit pension schemes		
Accrued pension at end of year	**2,663**	1,833

Notes to the financial statements for the year ended 30 June 2007 (continued)

3 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

	2007 Number	2006 Number
By activity		
Directors and administrative staff	**26**	23
Site personnel	**33**	30
	59	53
	£	£
Wages and salaries	**2,183,499**	1,780,995
Social security costs	**258,122**	199,045
Other pensions costs (note 15)	**397,956**	209,125
	2,839,577	2,189,165

4 Net interest payable

	2007 £	2006 £
Interest payable	**(2,731,198)**	(1,602,425)
Interest receivable	**1,960**	1,201
	(2,729,238)	(1,601,224)

5 (Loss)/profit on ordinary activities before taxation

	2007 £	2006 £
(Loss)/profit on ordinary activities before taxation is stated after charging		
Depreciation – owned assets	**30,118**	13,096
Auditors' remuneration – audit services	**7,500**	7,250
Hire of plant and machinery	**736,039**	523,276
Rental of land and buildings	**94,200**	36,600
After crediting		
Rental services	**8,745**	1,590

Notes to the financial statements for the year ended 30 June 2007 (continued)

6 Tax on (loss)/profit on ordinary activities

	2007 £	2006 £
Current taxation		
United Kingdom corporation tax on (loss)/profit for the period	**(360,988)**	196,935
Over provision in respect of prior periods	**(9,431)**	(62,462)
Total current tax	**(370,419)**	134,473
Deferred taxation (note 11)	**14,125**	28,277
Tax on (loss)/profit on ordinary activities	**(356,294)**	162,750
Reconciliation of current taxation charge		
(Loss)/profit on ordinary activities before taxation	**(1,175,458)**	643,714
(Loss)/profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	**(352,637)**	193,114
Over provision in respect of prior periods	**(9,431)**	(62,462)
Net expenses not deductible for tax purposes	**4,586**	2,728
Accelerated capital allowances and other timing differences	**(12,937)**	1,093
Current tax charge in year	**(370,419)**	134,473

From 1 April 2008, the rate of corporation tax expected to apply will fall to 28% from 30% This is expected to reduce future corporation tax on profits and reduce deferred tax balances remaining after 1 April 2008

Notes to the financial statements for the year ended 30 June 2007 (continued)

7 Tangible assets

	Plant & machinery £	Fixtures & fittings £	Total £
Cost			
At 1 July 2006	-	52,828	52,828
Additions	188,523	88,503	277,026
Disposals	-	(4,779)	(4,779)
At 30 June 2007	**188,523**	**136,552**	**325,075**
Accumulated depreciation			
At 1 July 2006	-	26,975	26,975
Charge for the year	4,626	25,492	30,118
Disposals	-	(4,233)	(4,233)
At 30 June 2007	**4,626**	**48,234**	**52,860**
Net book amount			
At 30 June 2007	**183,897**	**88,318**	**272,215**
At 30 June 2006	-	25,853	25,853

8 Stock

	2007 £	2006 £
Land for development	**63,219,263**	28,814,587
Work in progress	**12,138,126**	10,926,934
Stock of showhomes	**779,486**	387,256
	76,136,875	40,128,777
Less payments received on account	**(71,467)**	(572,803)
	76,065,408	39,555,974

Notes to the financial statements for the year ended 30 June 2007 (continued)

9 Debtors

	2007 £	2006 £
Trade debtors	**381,378**	138,160
Amounts owed by group undertakings	**3,631**	16,675
Other debtors	**75,444**	104,921
Prepayments and accrued income	**32,537**	21,568
Current corporation tax	**370,419**	-
Deferred taxation (note 11)	-	237
	863,409	281,561

Amounts owed by group undertakings are repayable on demand Interest is charged at a commercial rate linked to the Bank of England base rate

10 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	**3,940,207**	4,100,146
Amounts due in respect of land for development	**18,624,925**	1,000,000
Amounts owed to group undertakings	**52,381,290**	32,389,260
Other creditors	**16,416**	19,307
Current corporation tax	**-**	447,099
Other tax and social security	**4,807**	2,739
Accruals and deferred income	**576,084**	274,088
	75,543,729	38,232,639

Amounts owed to group undertakings are repayable on demand Interest is incurred at a commercial rate linked to the Bank of England base rate

Amounts owed to the company's ultimate holding company, Redrow plc, were secured at the balance sheet date by a floating charge over the company's present and future undertakings and assets This charge did not take priority over any charge issued in favour of any other party The charge was released post year end

11 Provisions for liabilities and charges

	Deferred Taxation £	Maintenance Provision £	Total £
At 1 July 2006	(237)	27,250	27,013
Charged to profit and loss account	14,125	50,750	64,875
At 30 June 2007	**13,888**	**78,000**	**91,888**

The deferred tax liability arises from the excess of capital allowances over depreciation of £13,888 (2006 excess of depreciation over capital allowances £237)

Notes to the financial statements for the year ended 30 June 2007 (continued)

12 Called up share capital

	2007 £	2006 £
Authorised		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid up		
2 ordinary shares of £1 each	**2**	2

13 Reserves

	Profit and loss account £
As at 1 July 2006	2,903,333
Retained loss for the financial year (note 14)	(819,164)
At 30 June 2007	**2,084,169**

14 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
(Loss)/profit for the financial year	**(819,164)**	480,964
Opening shareholders funds	**2,903,335**	2,422,371
Closing shareholders funds	**2,804,171**	2,903,335

15 Pensions and similar obligations

The Redrow Group participates in The Redrow Staff Pension Scheme, which constitutes a self-administered Scheme with defined benefits and defined contribution sections Contributions to the defined benefits section are based on the pension costs of the whole Redrow Group and were at the rate of 16% (2006 12%) of pensionable earnings Details of the latest actuarial valuation will be found in the financial statements of Redrow plc As at 30 June 2007, the Redrow Staff Pension Scheme was in surplus at £6 1m, as calculated in accordance with IAS 19

Notes to the financial statements for the year ended 30 June 2007 (continued)

16 Contingent liabilities

The company provides cross guarantees in respect of certain Redrow plc loans, details of which are in the Redrow plc Annual Report and Accounts

17 Related party transactions

As a wholly owned subsidiary of Redrow plc, whose accounts are publicly available, the company has taken advantage of the exemption under FRS8 not to disclose intra-group transactions There have been no other related party transactions

18 Ultimate Parent Undertaking

The immediate parent undertaking is Redrow Homes Limited

The ultimate parent undertaking and controlling party is Redrow plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of Redrow plc consolidated financial statements can be obtained from the Company Secretary, Redrow plc, Redrow House, St David's Park, Flintshire, CH5 3RX