

**Charles Church Developments Limited**

**Directors' report and financial  
statements**

Registered number 1182689

31 December 2003



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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### **Principal activities**

The company's principal activity during the year continued to be house building in the United Kingdom. The directors consider that the results for the period are satisfactory in the current economic climate.

As part of its principal activity the company undertakes or contributes to a range of research and development activities into aspects of its business including housing and general construction methods and optimising and improving construction materials and products.

### **Business review**

The profit for the year, after taxation, amounted to £4,296,935 (2002: loss of £175,039) which has been taken to shareholders' funds.

### **Proposed dividend**

The directors do not propose the payment of a dividend (2002: nil).

### **Policy and practice on payment of creditors**

The company's policy and practice for the payment of most of its trade creditors is to follow the CBI's Prompt Payment Code (copies available from CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU). For other suppliers, payment terms are agreed when goods and services are ordered, and payment is made according to those terms.

The company's average creditor payment period at 31 December 2003 was 37 days (2002: 33 days).

### **Directors and directors' interests**

The directors who held office during the year were as follows:

GN Francis	
S Watt	(resigned 31 December 2003)
MH Killoran	
NP Twine	(resigned 31 July 2003)

At 31 December 2003 none of the directors had an interest in the shares of the company.

## Directors' report (continued)

### Directors and directors' interests (continued)

The company is a wholly owned subsidiary of Persimmon plc.

S Watt, N Twine and GN Francis had the following interests in the ordinary shares of 10p each of the ultimate parent company, Persimmon plc, as recorded in the register of directors' share and debenture interest:

	Interest at 31 December 2003 or date of resignation	Number of shares			Interest at 31 December 2002 or date of appointment
<i>Ordinary shares</i>					
GN Francis	5,282				3,922
S Watt	8,039				8,025
N Twine	12,309				376
		Number of options during the period			
		Exercised	Granted	Lapsed	
<i>Share option</i>					
GN Francis	35,500	(5,000)	3,500	-	37,000
S Watt	40,000	(15,000)	-	-	55,000
N Twine	-	(22,000)	-	-	22,000
<i>SAYE share options</i>					
GN Francis	3,813	-	-	-	3,813
S Watt	2,147	(1,142)	-	-	3,289
N Twine	1,671	(2,142)	-	-	3,813

Options are exercisable from 2004 to April 2008 at prices ranging from 340.5p to 537.5p.

The interests of MH Killoran in the share capital of the ultimate parent company, Persimmon plc, are disclosed in the accounts of that company.

### Corporate Governance

The board supports the highest standards in corporate governance and continues to review the company's procedures to maintain proper control and accountability.

Details on how the principles of the Combined Code have been applied can be found in the accounts of Persimmon plc.

### Corporate social and environmental responsibility

We are committed to conduct our business activities in a socially and environmentally responsible way, and aim not only to build houses but also to help create communities.

Full details of what social and environmental responsibility means for the company can be found in the accounts of Persimmon plc.

**Directors' report** *(continued)*

**Auditors**

Pursuant to section 386 of the Companies Act 1985, an elective resolution to dispense with the obligation to appoint auditors annually was passed on 14 January 1994.

By order of the board



**TL Davison**  
*Secretary*

Persimmon House  
Fulford  
YORK  
YO19 4FE

25 October 2004

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors confirm that:

- suitable accounting policies have been selected and then applied consistently;
- judgements and estimates have been made that are reasonable and prudent;
- applicable accounting standards have been followed; and
- the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

**Report of the independent auditors to the members of Charles Church Developments Limited**

We have audited the financial statements on pages 6 to 16.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company 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 judgements 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

25 October 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003</b> £	<b>2002</b> £
<b>Turnover</b>		<b>126,908,819</b>	129,150,205
Cost of sales		<b>(108,957,023)</b>	(119,529,782)
<b>Gross profit</b>		<b>17,951,796</b>	9,620,423
Net operating expenses		<b>(15,418,981)</b>	(12,330,921)
Other operating income		<b>152,744</b>	213,500
<b>Operating profit/(loss)</b>		<b>2,685,559</b>	(2,496,998)
Profit on the sale of freehold land and buildings		-	2,233,750
Interest receivable	5	239	33,587
Interest payable	6	<b>(251,863)</b>	(27,378)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>2,433,935</b>	(257,039)
Tax on ordinary activities	7	<b>1,863,000</b>	82,000
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>4,296,935</b>	(175,039)

No separate statement of total recognised gains and losses has been presented as the company has no recognised gains or losses other than the profit/(loss) for the period as shown above.

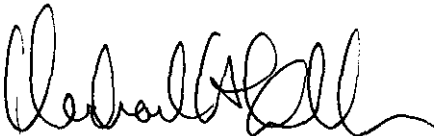
There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the period stated above, and their historic cost equivalents.



**Balance sheet**  
**at 31 December 2003**

	<i>Note</i>	<b>2003</b> £	<b>2002</b> £
<b>Fixed assets</b>			
Tangible assets	8	3,805,770	1,560,824
Investments	9	700	200
		<hr/>	<hr/>
		3,806,470	1,561,024
<b>Current assets</b>			
Stocks	10	192,031,311	142,471,912
Debtors	11	62,102,284	57,882,146
Cash at bank and in hand		4,950	4,450
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	12	254,138,545 (212,098,883)	200,358,508 (166,423,283)
		<hr/>	<hr/>
<b>Net current assets</b>		42,039,662	33,935,225
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		45,846,132	35,496,249
<b>Creditors: amounts falling due after more than one year</b>	13	(6,104,172)	(51,224)
		<hr/>	<hr/>
<b>Net assets</b>		39,741,960	35,445,025
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	103,801,471	103,801,471
Profit and loss account	17	(64,059,511)	(68,356,446)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	18	39,741,960	35,445,025
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 25 October 2004 and were signed on its behalf by:



**MH Killoran**  
Director

## Notes

*(forming part of the financial statements)*

### 1 Principal 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 are prepared in accordance with the historical cost convention.

The company is exempt, under Section 228 of the Companies Act 1985, from the requirement to prepare group accounts. These financial statements only present information about the company as an individual undertaking.

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Persimmon plc, and its cash flows are included within the consolidated cash flow statement of that company.

As 100% of the company's voting rights are controlled within the group headed by Persimmon plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

#### ***Turnover***

Turnover represents the total sales value of legally completed properties, excluding land sales and part exchange properties. Turnover and profit on sales are recognised upon legal completion.

Turnover does not include properties sold to BES companies until the schemes mature, sales proceeds being held on the balance sheet as BES advances until that date. The properties are held on the balance sheet as BES assets until the sale is recognised.

#### ***Leases***

Assets financed by means of a finance lease are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on such assets is charged to the profit and loss account in accordance with the accounting policy above over the lease term.

The interest element of payments to leasing companies is calculated on a straight line basis over the lease term and charged to the profit and loss account.

Amounts payable under operating leases are charged to work in progress or net operating expenses on a straight line basis over the lease term.

#### ***Depreciation***

Depreciation on tangible fixed assets is provided, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	2% per annum
Plant, machinery and vehicles	-	25% per annum

#### ***Stocks and work in progress***

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents the purchase price of land and all direct development expenditure.

#### ***Research and development***

Research and development expenditure is written off as incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Interest payable*

All interest payable is written off in arriving at profit/(loss) on ordinary activities.

#### *Deferred taxation*

Provision is made for current tax on taxable profit and full provision is made for deferred tax in line with FRS 19.

#### *Operating lease rentals*

Rentals paid under operating leases are charged to income on a straight line basis, over the lease term.

#### *Pension costs*

Pension costs are accounted for on the basis of charging the expected costs of providing pensions over the period during which the company benefits from the employees' services.

### 2 Profit/(loss) on ordinary activities before taxation

	2003 £	2002 £
<i>Loss on ordinary activities before taxation is stated after charging / (crediting):</i>		
Depreciation	543,547	332,884
Operating lease rentals:		
Land and buildings	542,666	331,402
Plant and machinery	445,324	428,805
Auditor's remuneration:		
Audit	56,000	55,000
Non audit	-	-
(Profit) on disposal of fixed assets	-	(2,233,750)
	<hr/>	<hr/>

## Notes (continued)

### 3 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	75,876	141,599
Compensation for loss of office	39,759	-
	<u>115,635</u>	<u>141,599</u>

The emoluments and pension arrangements of the Chairman and other directors whom are employees of the parent undertaking, Persimmon plc, are disclosed in the accounts of that company where appropriate.

The emoluments of the highest paid director are:

	2003 £	2002 £
Emoluments	<u>75,876</u>	<u>129,500</u>

The number of directors who were members of pension schemes at the period end was as follows:

	2003 Number	2002 Number
Defined benefit pension schemes	<u>-</u>	<u>1</u>

### 4 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year was 250 (2002: 173).

The costs incurred in respect of these employees were:

	2003 £	2002 £
Wages and salaries	7,901,634	5,506,408
Social security costs	771,822	525,773
Other pension costs	295,171	194,633
	<u>8,968,627</u>	<u>6,226,814</u>

### 5 Interest receivable and similar income

	2003 £	2002 £
Other interest receivable	<u>239</u>	<u>33,587</u>

## Notes (continued)

### 6 Interest payable

	2003 £	2002 £
On bank loans, overdrafts and other loans	221,289	9,129
Other interest payable	30,574	18,249
	<u>251,863</u>	<u>27,378</u>

### 7 Tax on profit/(loss) on ordinary activities

	2003 £	2002 £
UK corporation tax at 30% (2002: 30%)	-	(166,000)
Over provision in prior years	-	-
Deferred tax (note 14)	(1,863,000)	84,000
	<u>(1,863,000)</u>	<u>(82,000)</u>

The corporation tax charge for the year is based upon current period taxable loss, together with tax losses brought forward from previous years and crystallisation of the brought forward deferred tax asset.

### 8 Tangible fixed assets

	Freehold land and buildings £	Plant, machinery and motor vehicles £	Total £
<b>Cost</b>			
At 1 January 2003	552,428	1,766,787	2,319,215
Additions	15,585	1,133,928	1,149,513
Disposals	-	(238,788)	(238,788)
Transfers from other group companies	1,729,429	379,295	2,108,724
	<u>2,297,442</u>	<u>3,041,222</u>	<u>5,338,664</u>
At 31 December 2003			
<b>Depreciation</b>			
At 1 January 2003	36,171	722,220	758,391
Charge for the period	46,126	497,421	543,547
Eliminated on disposal	-	(143,365)	(143,365)
Transfers from other group companies	117,676	256,645	374,321
	<u>199,973</u>	<u>1,332,921</u>	<u>1,532,894</u>
At 31 December 2003			
<b>Net book value</b>			
At 31 December 2003	<u>2,097,469</u>	<u>1,708,301</u>	<u>3,805,770</u>
At 31 December 2002	<u>516,257</u>	<u>1,044,567</u>	<u>1,560,824</u>

## Notes (continued)

### 9 Fixed asset investments

	2003 £	2002 £
Shares in subsidiary undertakings and joint ventures	700	200

The company had investments in the following companies, all of which were wholly owned, were registered in England and Wales and were dormant:

Charles Church Southern Limited  
Charles Church Limited  
Pentra Limited

In addition, the company owns 50% of Brentford Lock Limited, a company incorporated in England and Wales, whose principal activity is residential housebuilding.

### 10 Stocks

	2003 £	2002 £
Land	137,371,104	106,085,946
Work in progress	51,545,407	32,486,966
Part exchange properties	3,114,800	3,899,000
	<u>192,031,311</u>	<u>142,471,912</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

### 11 Debtors

	2003 £	2002 £
Trade debtors	3,015,241	995,080
Amounts owed by group undertakings	49,462,682	48,802,321
Other taxes and social security	7,543	7,543
Other debtors	131,555	14,573
Prepayments and accrued income	6,734,263	5,068,629
Corporation tax	888,000	2,994,000
Deferred tax	1,863,000	-
	<u>62,102,284</u>	<u>57,882,146</u>

No formal arrangements for repayment of the amounts owed by the immediate parent and subsidiary undertakings exist. In practice, these amounts represent long term advances and are unlikely to be repaid within one year.

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	2,335,555	1,875,999
Trade creditors	24,466,139	14,751,555
Land creditors	10,362,047	6,471,001
Amounts owed to group undertakings	168,653,939	137,093,261
Other taxation and social security costs	528,937	376,882
Other creditors	1,652,129	993,967
Accruals and deferred income	3,888,615	4,785,117
Obligations under finance leases	211,522	75,501
	<u>212,098,883</u>	<u>166,423,283</u>

### 13 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases	193,875	51,224
Land creditors	5,910,297	-
	<u>6,104,172</u>	<u>51,224</u>

### 14 Deferred tax

The company has significant brought forward tax losses. A deferred tax asset has been recognised in respect of these losses.

	2003 £000	2002 £000
Short term timing differences	(113,000)	-
Losses	(1,750,000)	-
	<u>(1,863,000)</u>	<u>-</u>

#### Movement in the year:

	£
At 1 January 2003	-
Profit and loss account	(1,863,000)
At 31 December 2003	<u>(1,863,000)</u>

## Notes (continued)

### 15 Security

The Charles Church Group plc and its subsidiary undertakings, which include the company, ("the group") are financed by loans from another group company, Beazer Group Limited. These loans are secured by fixed equitable charges over the group's assets and are jointly and severally guaranteed by the group. The group's net indebtedness to Beazer Group Limited at 31 December 2003 amounted to £24,774,364 (2002: £24,774,364).

The company together with fellow subsidiaries has guaranteed bank loans made to Persimmon plc; the amount outstanding at 31 December 2003 was £282,202,000 (2002: £290,095,000).

### 16 Called up share capital

	2003 £	2002 £
<i>Authorised, allotted, called up and fully paid</i>		
103,801,471 ordinary shares of £1 each	103,801,471	103,801,471

### 17 Reserves

	Profit and loss account £
At 1 January 2003	(68,356,446)
Retained profit for the period	4,296,935
At 31 December 2003	(64,059,511)

### 18 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Opening shareholders' funds	35,445,025	35,620,064
Profit for the period	4,296,935	(175,039)
Closing shareholders' funds	39,741,960	35,445,025



## Notes (continued)

### 19 Other financial commitments

- i) At 31 December 2003, there were capital commitments contracted for amounting to £1,095,118 (2002: £3,833).
- ii) As at 31 December 2003, the company had annual commitments for the following financial year under non-cancellable operating leases as set out below:

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	79,898	29,000	263,275
In the second to fifth years inclusive	189,309	425,906	385,870	281,247
In excess of five years	354,380	49,838	41,000	386
	<u>543,689</u>	<u>555,642</u>	<u>455,870</u>	<u>544,908</u>

### 20 Pension scheme

Until 30 June 2003, those employees who were eligible were members of the Beazer Group Pension Scheme, a contributory defined benefit scheme. The assets of the scheme were held separately from those of the Beazer Group and were invested directly on the advice of professional investments managers.

The company is a member of a pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

The most recent valuation of the scheme was carried out as at 1 July 2002 by a professional qualified actuary and adopted the projected unit method.

The market value of the scheme's assets at 1 July 2002 was £48.4 million and was sufficient to cover 83% of the scheme liabilities allowing for future salary increases.

To improve the funding of the scheme, a special contribution of £7 million has been paid by the group into the scheme in 2002. The joint contribution rate is 18% of pensionable salaries.

On 1 July 2003 the scheme was merged with the Persimmon Group Pension Scheme. Details of this scheme and the full disclosure requirements of FRS 17 (Retirement Benefits) may be found in the accounts of Persimmon plc.

The total pension cost of the company in the period was £295,171 (2002: £194,633).

### 21 Related party transactions

The company has taken advantage of the exemptions available to subsidiary undertakings under FRS 8 by not disclosing transactions with entities of the group qualifying as related parties.

## Notes (continued)

### 22 Ultimate controlling party

The company is a wholly owned subsidiary undertaking of Persimmon plc, incorporated in England and Wales.

The consolidated accounts of this company are available to the public and may be obtained from:

The Company Secretary  
Persimmon plc  
Persimmon House  
Fulford  
York  
YO19 4FE