
LOVELL PARTNERSHIPS LIMITED

Company Registration No. 2387333

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



LOVELL PARTNERSHIPS LIMITED

**Report and financial statements
For the year ended 31 December 2009**

Contents	Page
COMPANY INFORMATION	1
DIRECTORS' REPORT	2-6
INDEPENDENT AUDITORS' REPORT	7-8
PROFIT AND LOSS ACCOUNT	9
BALANCE SHEET	10
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	11
PRINCIPAL ACCOUNTING POLICIES	12-15
NOTES TO THE FINANCIAL STATEMENTS	16-27

Company information

Directors	Ivor Stewart Davenport Robert Eric Codling John Christopher Leary David Kevin Mulligan Paul Whitmore
Joint secretaries	Isobel Mary Nettleship Clare Sheridan
Head office	Marston Park Tamworth Staffordshire B78 3HN
Registered office	Kent House 14 – 17 Market Place London W1W 8AJ
Auditors	Deloitte LLP Chartered Accountants and Statutory Auditors Birmingham, United Kingdom

Directors' report

For the year ended 31 December 2009

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities

The Company constructs and refurbishes homes in partnership with housing associations, local authorities and other corporations or for sale on the open market via mixed tenure regeneration schemes

Business review

The Company's performance in 2009 has been robust despite the challenging conditions experienced throughout the year. All of the Company's activities contributed to the accomplishment of sound profitability, a substantially improved cash position and enhanced balance sheet strength. The Government has acknowledged the need to stimulate the delivery of new homes and, through the Homes and Community Agency, has introduced its "Kickstart" programme providing gap funding and equity investment to deliver new units at an affordable price earlier than the market would otherwise allow. Lovell has been recommended to receive a total of £4m in phase 1 of the scheme and has submitted a number of projects for acceptance into phase 2. In overall terms, the Company was successful in increasing the number of units sold to open market customers during the year by 47%, with 61% of those being achieved in the second half when there was a modest improvement in the market.

The new build contracting side of the business performed well with good margins being produced. However, revenue was lower reflecting the actions of Registered Social Landlords in satisfying their requirements for additional dwellings by obtaining existing new stock through bulk sales from developers.

The refurbishment contracting activity increased in the year both in terms of unit completion volumes and revenue. The refurbishment business capability was enhanced by the procurement of response based maintenance capability through the acquisition of Lovell Respond (formerly BMS Property Care Limited) from Bromford Housing Group. The acquisition has provided the ability to offer the full range of functions generally demanded in tendering opportunities for service provision to public sector clients.

The Company also formed a subsidiary in the year, Lovell Property Rentals Limited, and has transferred a number of built units to that company which have been let for private rent. The intention is to use the capability to offer this facility as a stand alone product as well as to include it as part of the Company's offering in bids for new schemes.

The Company continues to perform successfully for the Renaissance consortium within its PFI contract at Miles Platting. The service works contract is approximately 50% complete and will be followed by a substantial development phase.

Improving the environmental impact of its own activity and its end products has continued to be a high priority for the Company during the year. A particular example of its commitment, was the experimental construction, in partnership with Tarmac of two houses, known as "The Creative Energy Houses", in the grounds of Nottingham University, one of which met the Code for Sustainable Homes level 4 and the other Code Level 6. The distinctive feature of the units is their construction using orthodox masonry materials throughout and employing

Directors' report (continued)
For the year ended 31 December 2009

conventional technology in the construction utilising the Company's usual supply chain. They have been very well received generally due to the traditional appearance of the completed products.

The forward order book at the beginning of the year stood at £1.3bn (2008 £1.3bn), with the focus in the short term being on refurbishment, both planned and responsive, and new build social housing while not losing sight of the prospects of a sustainable revival of the market in homes for private sale.

The results for the year were as follows:

	Year to 31 December 2009	Year to 31 December 2008
	£'000	£'000
Turnover	371,549	377,198
Pre tax profit	14,172	17,502
Net assets	55,482	25,365
Cash at bank/(overdraft)	15,222	(19,923)
Forward order book	1,333,000	1,302,134

Financial position and liquidity

The financial position of the Company is presented in the balance sheet. The total shareholder's funds at 31 December 2009 were £55m.

The Company has net current assets of £49m and cash of £15m at 31 December 2009.

The Company is a member of the Morgan Sindall Group, and participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2009 the Group had cash balances of £117.7m and a total of £100m unused committed loan facilities. The Group loan facilities are committed until mid 2012.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to:

- Changes in Government policy towards funding of affordable housing
- Tightened credit conditions for home buyers
- Increased competition in the contracting market

Directors' report (continued)

For the year ended 31 December 2009

Further discussion of these risks and uncertainties, in the context of the Morgan Sindall plc group ('the Group') as a whole, is provided in the Directors' report business review in Morgan Sindall plc's Annual Report, which does not form part of this report

Financial risk management

The Company's operations expose it to a variety of financial risks that include interest rate risk, liquidity risk and price risk

In respect of interest rate risk the Company has interest bearing liabilities. Interest bearing assets and liabilities include cash balances and overdrafts, all of which have interest rates applied at floating market rates

The Company has some exposure to commodity price risk as a result of its operations. This risk is managed on a project by project basis by limited forward buying of certain commodities and by negotiating annual purchase agreements with key suppliers. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature

Key performance indicators

An analysis of the key performance indicators employed by the Group, which includes those used by the Company, are discussed in the Directors' report: business review in Morgan Sindall plc's annual report, which does not form part of this report

Dividends

An interim dividend of nil (2008 £27,265,000) was paid during the year. The directors do not recommend the payment of a final dividend (2008 Nil)

Post Balance Sheet Events

On 1 January 2010, the trade and assets of Lovell Respond Limited, were transferred to their parent company Lovell Partnerships Limited for consideration equal to their net book value

Directors

The directors who served during the year are shown on page 1

Directors' indemnities

The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year

Directors' report (continued)
For the year ended 31 December 2009

Employment policies

The Company insists that a policy of equal opportunity employment is demonstrably evident at all times. Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interest and that all employees are aware of the financial and economic performance of their business units and the Company as a whole. The Company recognises the need to ensure effective communication with employees. Policies and procedures, including in-house newsletters, have been developed taking account of factors such as numbers employed and location.

Creditor payment policy

The Company's policy is to clearly agree and set down the terms of payment with suppliers and subcontractors when agreeing the terms for each transaction and to make payments in accordance with its obligations, save in the case of genuine dispute.

As at 31 December 2009 the Company's number of creditor days outstanding was equivalent to 37 days purchases (2008: 25 days), based on the average daily amount invoiced by suppliers during the year.

Directors' responsibilities statement

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). 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)
For the year ended 31 December 2009

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Independent auditors and disclosure of information to the independent auditors

In the case of each of the persons who are directors of the Company at the date when this report was approved

- So far as each director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an annual general meeting.

By order of the board



I M Nettleship
Company Secretary
23 February 2010

Independent auditors' report

To the members of Lovell Partnerships Limited

We have audited the financial statements of Lovell Partnerships Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related notes 1 to 22. 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 (APB'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 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 company's affairs as at 31 December 2009 and of its 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.

Independent auditors' report (continued)

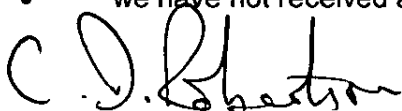
Opinion on other matters prescribed by the Companies Act 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Christopher Robertson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, England

23 February 2010

Profit and loss account
For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Turnover		371,549	377,198
Cost of sales		(329,816)	(327,899)
Gross profit		<u>41,733</u>	<u>49,299</u>
Administrative expenses		(27,265)	(28,820)
Other operating income		139	
Operating profit	2	<u>14,607</u>	<u>20,479</u>
Interest payable (net)	3	(435)	(2,977)
Profit on ordinary activities before taxation		<u>14,172</u>	<u>17,502</u>
Tax on profit on ordinary activities	4	(4,055)	(5,137)
Profit on ordinary activities after taxation		<u>10,117</u>	<u>12,365</u>

The results for the current and previous financial years derive from 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

LOVELL PARTNERSHIPS LIMITED

Balance sheet
31 December 2009

	Notes	31 December 2009 £000	31 December 2008 £000
Fixed assets			
Intangible assets	6	5,916	6,428
Tangible assets	7	248	361
Investments	8	772	460
		<u>6,936</u>	<u>7,249</u>
Current assets			
Stocks	9	109,024	138,576
Debtors			
- due within one year	10	52,687	52,075
- due after one year	10	9,030	-
Cash at bank and in hand		15,222	-
		<u>185,963</u>	<u>190,651</u>
Creditors			
Amounts falling due within one year	11	<u>(137,417)</u>	<u>(172,535)</u>
Net current assets		48,546	18,116
Net assets		<u>55,482</u>	<u>25,365</u>
Capital and reserves			
Called up share capital	13	42,000	22,000
Profit and loss account	14	13,482	3,365
Shareholders' funds		<u>55,482</u>	<u>25,365</u>

The financial statements of Lovell Partnerships Limited (registered company number 2387333) were approved by the Board of directors' and authorised by issue on

23 February 2010



I S Davenport, Director

Reconciliation of movements in shareholders' funds
For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Profit on ordinary activities after taxation	14	10,117	12,365
Dividends	5	-	(27,265)
New shares issued	13	20,000	-
Net addition/(withdrawal) to/(from) shareholders' funds		30,117	(14,900)
Opening shareholders' funds		25,365	40,265
Closing shareholders' funds		<u>55,482</u>	<u>25,365</u>

Principal accounting policies
For the year ended 31 December 2009

Basis of accounting

The financial statements have been prepared under the historical cost convention, except for financial instruments which are held at fair value as permitted by the Companies Act 2006, and in accordance with the applicable United Kingdom accounting standards

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 2 to 3

The Company is expected to continue to trade profitably for the foreseeable future. The Company participates in the Morgan Sindall Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall plc and fellow subsidiaries

The directors, having assessed the responses of the directors of the Morgan Sindall plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Morgan Sindall group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Morgan Sindall plc, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Exemptions

The Company is a 100% owned subsidiary of Morgan Sindall plc, whose consolidated financial statements for the year ended 31 December 2009 contain financial instrument disclosures which comply with FRS 29 'Financial Instruments Disclosures'. Consequently, the Company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the Company

Cash flow statement

The Company has taken advantage of the exemption given under FRS 1 (revised) not to produce a cash flow statement as the Company's ultimate parent undertaking, Morgan Sindall plc, publishes a consolidated cash flow statement

Consolidation

The Company has taken advantage of the exemption given under FRS 2 not to produce consolidated financial statements as the Company's ultimate parent undertaking, Morgan Sindall plc, publishes consolidated financial statements.

Turnover

Turnover represents the value of work executed on long term contracts during the year and the sales value of properties where the ownership has been legally transferred to the purchaser. The sale proceeds of properties taken in part exchange are not included in turnover

Principal accounting policies (continued)
For the year ended 31 December 2009

Acquisitions

On the acquisition of a business, fair values are attributed to the net separable assets and where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition

Intangible fixed assets

Goodwill is the difference between the fair value of consideration given for a business and the aggregate fair value of its separable net assets. Goodwill is capitalised and written off in equal instalments over its useful economic life of 20 years

Tangible fixed assets

Depreciation is provided in equal annual instalments at rates calculated to write off the cost of fixed assets over their estimated useful lives as follows

Fixtures, Fittings and Equipment – between three and four years

Investments

Fixed asset investments are shown at cost less provision for impairment

Stocks

Stocks are stated at the lower of cost and net realisable value

Shared equity scheme

The Company offers shared-equity home ownership schemes under which qualifying home-buyers can defer payment of part of the agreed sales price up to a maximum of 25% until the earlier of 10 years, remortgage or resale of the property. On occurrence of one of these events, the Company will receive a repayment based on its contributed equity percentage and the applicable market value of the property as determined by a member of the Royal Institute of Chartered Surveyors. Early or part repayment is allowable under the scheme and properties are secured by way of a second charge over the property

The shared-equity loans receivable are a hybrid financial instrument consisting of an initial principal component and an embedded derivative whose fair value varies in accordance with movements in the specific property prices to which the loan relates. The loans are non-interest bearing

The Company has elected to designate the financial assets resulting from the shared-equity schemes as fair value through profit or loss. This election can only be made at initial recognition and is irrevocable. As it is not practicable to obtain current market valuations on a property-by-property basis at each reporting date, the fair value of the loans is calculated on a portfolio basis using region specific property price indices, a discount rate which reflects the prevailing interest rate and a suitable risk premium for the borrowers, an anticipated loan duration and the expected rate of debtor default. Fair value movements are recognised in operating profit and the resulting financial asset is presented as a non-current receivable

Principal accounting policies (continued)

For the year ended 31 December 2009

At each reporting date the accuracy of each of these assumptions is reviewed and where appropriate, adjusted to reflect changes in market conditions and the Company's experience with the debtors

Revenue resulting from the sale of properties under the shared-equity scheme is recognised at the fair value of the consideration received or receivable

Profit recognition

Attributable profit is recognised where the contract outcome can be foreseen with reasonable certainty and is determined by reference to the valuation of work done less related costs of work. Provision is made for all foreseeable contract losses

Grants

Grants received in respect of specific projects are credited to the profit and loss account during the life of the project. Grants received shown in the balance sheet under payments on account represent grants received less amounts so far credited to the profit and loss account

Contract accounting

Contracts are accounted for as long term contracts. Anticipated net sales value of contracts include a proportion of attributable profit where a profitable outcome can be foreseen, provisions being made for all foreseeable losses. Turnover, less progress payments received, is recorded in "amounts recoverable on contracts" within debtors. Where progress payments exceed turnover and other contract balances, the excess is shown as "payments on account of contracts"

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases

Pensions

The Company contributes to The Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements, which are of a defined contribution type. The annual costs are charged to the profit and loss account

Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at the rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Principal accounting policies (continued)
For the year ended 31 December 2009

Current tax

Current tax, including United Kingdom corporation tax, is provided out of amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date

Notes to the financial statements
For the year ended 31 December 2009

1. Analysis of turnover and profit on ordinary activities before taxation

All turnover and profit on ordinary activities before taxation relates to the company's principal activity carried out in the UK

2. Operating profit

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Operating profit is stated after charging		
Fees payable to the company's auditors for the audit of the company's annual accounts	87	90
Fees payable to the company's Auditors for the audit of the subsidiary's annual accounts	1	1
Depreciation of owned fixed assets	232	313
Amortisation of intangible fixed assets	511	511
Operating leases		
- Plant and machinery	224	217
- Other	1,608	1,820
	<u> </u>	<u> </u>

3. Interest payable

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Bank interest payable	435	2,319
Group interest payable	-	658
Total interest payable (net)	<u>435</u>	<u>2,977</u>

Notes to the financial statements
For the year ended 31 December 2009

4. a) Tax on profit on ordinary activities

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
<i>Current tax</i>		
Corporation tax payable at 28% (2008 28.5%)	4,063	5,137
Adjustment to prior years	(32)	11
Total current tax (note 4 b)	<u>4,031</u>	<u>5,148</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences		
- current year	74	7
- prior year	(50)	(18)
Total deferred tax (note 12)	<u>24</u>	<u>(11)</u>
Tax on profit on ordinary activities	<u>4,055</u>	<u>5,137</u>

Notes to the financial statements
For the year ended 31 December 2009

The standard rate of corporation tax for the year based on the UK standard rate of corporation tax is 28%. The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

4. b) Factors affecting the tax charge for the period

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Profit on ordinary activities before tax	<u>14,172</u>	<u>17,502</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (28% 2009, 28.5% 2008)	3,968	4,988
<i>Effects of</i>		
Capital allowances for the year in excess of depreciation	(13)	4
Expenses not deductible for tax purposes	(35)	(1)
Adjustments to tax in respect of previous periods	(32)	11
Amortisation	143	146
Current tax charge for the year (note 4a)	<u>4,031</u>	<u>5,148</u>

5. Dividends on equity shares

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Interim paid – nil (2008 123.93p) per ordinary share	<u>-</u>	<u>27,265</u>

**Notes to the financial statements
For the year ended 31 December 2009**

6. Intangible assets

	Goodwill £000
Cost or valuation	
As at 1 January 2009	10,215
Additions	-
As at 31 December 2009	<u>10,215</u>
Accumulated amortisation	
As at 1 January 2009	(3,788)
Charge for year	(511)
As at 31 December 2009	<u>(4,299)</u>
Net book value	
As at 31 December 2009	<u>5,916</u>
As at 31 December 2008	<u>6,428</u>

7. Tangible fixed assets

	Fixtures, fittings & equipment £000	Totals £000
Cost		
As at 1 January 2009	2,940	2,940
Additions	118	118
As at 31 December 2009	<u>3,058</u>	<u>3,058</u>
Accumulated depreciation		
As at 1 January 2009	(2,578)	(2,578)
Charge for year	(232)	(232)
As at 31 December 2009	<u>(2,810)</u>	<u>(2,810)</u>
Net book value		
As at 31 December 2009	<u>248</u>	<u>248</u>
As at 31 December 2008	<u>361</u>	<u>361</u>

Notes to the financial statements
For the year ended 31 December 2009

8. Investments

Shares in subsidiary undertakings

	£000
Cost or valuation	
As at 1 January 2009	-
Additions	272
As at 31 December 2009	<u>272</u>
Net book value	
As at 31 December 2009	<u>272</u>
As at 31 December 2008	<u>-</u>

Investment in joint ventures

	£000
Cost or valuation	
As at 1 January 2009	460
Additions	40
As at 31 December 2009	<u>500</u>
Net book value	
As at 31 December 2009	<u>500</u>
As at 31 December 2008	<u>460</u>

Notes to the financial statements
For the year ended 31 December 2009

8. Investments (continued)

The parent company has investments in the following subsidiary undertakings, which are all registered in the UK

Subsidiary	Principal Activity	Holding £
Lovell Plus Limited	New Build Housing	90
Lovell Respond Limited	Response	
	Maintenance	271,972
Lovell Property Rentals Limited	Property Letting	100

The Company has a 50% share in a joint venture company – The Compendium Group Limited, which is registered in England and Wales

The Compendium Group Limited participates in the large scale community regeneration market

9. Stocks

	31 December 2009 £000	31 December 2008 £000
Residential developments and undeveloped land	107,893	136,100
Part exchange properties	1,131	2,476
	<u>109,024</u>	<u>138,576</u>

Notes to the financial statements
For the year ended 31 December 2009

10. Debtors

	31 December 2009 £000	31 December 2008 £000
Amounts falling due within one year:		
Trade debtors	20,139	25,824
Amounts recoverable on contracts	16,072	20,686
Amounts owed by group undertakings	13,317	3,361
Other debtors	2,051	922
Prepayments and accrued income	870	1,020
Deferred tax (note 12)	238	262
	<u>52,687</u>	<u>52,075</u>
Amounts falling due after one year:		
Trade Debtors	9,030	-
	<u>9,030</u>	<u>-</u>
	<u>61,717</u>	<u>52,075</u>

The company has a deferred tax asset arising on short term timing differences and accelerated depreciation. An asset of £237,565 (2008 £261,540) has been provided for at the balance sheet date. The directors are of the opinion that, based on recent and forecast trading, the level of profits in the current and next financial year are sufficient in order to recognise this asset.

11. Creditors

	31 December 2009 £000	31 December 2008 £000
Amounts falling due within one year:		
Bank loans and overdrafts	-	19,923
Payments received on account	28,022	28,623
Trade creditors	36,222	24,646
Amounts owed to group undertakings	175	17,725
Corporation tax	2,001	2,813
Other taxation and social security	1,365	1,378
Other creditors	3,845	6,431
Accruals and deferred income	65,787	70,996
	<u>137,417</u>	<u>172,535</u>

Notes to the financial statements
For the year ended 31 December 2009

12. Deferred tax

	31 December	31 December
	2009	2008
	£000	£000
Accelerated capital allowances	217	212
Other timing differences	21	50
Deferred tax asset	<u>238</u>	<u>262</u>
At 1 January	262	251
Deferred tax charge in profit and loss account for the year	<u>(24)</u>	<u>11</u>
At 31 December	<u>238</u>	<u>262</u>

13. Called up share capital

	31 December	31 December
	2009	2008
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>42,000</u>	<u>22,000</u>

On 17 December 2009 the company increased its authorised share capital to 42,000,000 ordinary shares of £1 each. On the same date 20,000,000 ordinary shares of £1 each were issued at par.

Notes to the financial statements
For the year ended 31 December 2009

14. Profit and loss account

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Balance as at 1 January	3,365	18,265
Profit on ordinary activities after taxation	10,117	12,365
Dividends	-	(27,265)
Retained profit for the year	10,117	(14,900)
Balance as at 31 December	13,482	3,365

15. Directors' remuneration

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Total emoluments paid to directors in the year	595	896
Contributions paid to money purchase pension scheme	35	30
Number of directors who are members of money purchase pension schemes (including highest paid director)	3	3
Highest paid director's emoluments	289	441
Pension contributions of highest paid director	15	14

Notes to the financial statements
For the year ended 31 December 2009

16. Staff costs (including directors' remuneration)

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Wages and salaries	46,232	46,478
Social security costs	4,555	4,571
Pension costs	1,436	1,499
	<u>52,223</u>	<u>52,548</u>
	No.	No.
The average number of employees during the year was		
Directors	3	3
Administration and management	1,321	1,464
	<u>1,324</u>	<u>1,467</u>

17. Pension costs

The company contributes to employees' pension arrangements. The annual costs charged to the profit and loss account for the year ended 31 December 2009 were £1,436,352 (2008 £1,498,833). The pension creditor at 31 December 2009 was £180,537 (2008 £178,890).

Notes to the financial statements
For the year ended 31 December 2009

18. Commitments and contingencies

Performance bonds have been entered into in the normal course of business. Performance bond facilities and the bank accounts of the group and associated undertakings are supported by cross guarantees. No liability is expected to accrue.

Our bankers, Lloyds TSB, have issued a Letter of Credit for the value of £5,083,627 in favour of Renaissance Miles Platting Limited, which expires on 20th March 2010. This Letter of Credit has been issued as a guarantee against future land payments due by the Company on the Miles Platting scheme over the next 10 years. It is anticipated that this letter of credit will not be called upon by Renaissance Miles Platting. Upon expiry the Letter of Credit will be re-issued, and over successive issues will reduce in value as the plots of land are acquired.

Capital commitments are as follows

	31 December 2009 £000	31 December 2008 £000
Contracted for but not provided for - other	<u>1,515</u>	<u>2,773</u>

19. Operating leases

The future annual commitments under operating leases were as follows

	As at 31 December 2009		As at 31 December 2008	
	Other £000	Land & buildings £000	Other £000	Land & buildings £000
Expiring within 1 year	160	299	139	202
Expiring between 2 and 5 years	426	630	434	397
Expiring after 5 years	-	583	5	796
Total	<u>586</u>	<u>1,512</u>	<u>578</u>	<u>1,395</u>

Notes to the financial statements
For the year ended 31 December 2009

20. Ultimate parent company

The directors consider that the ultimate parent undertaking and ultimate controlling party of this Company is Morgan Sindall plc, which is registered in England and Wales. This is the smallest and largest group in which Lovell Partnerships Limited is consolidated. Copies of the group financial statements of this company may be obtained from Kent House, 14-17 Market Place, London, W1W 8AJ.

21. Related party transactions

In the ordinary course of business, the company has traded with its ultimate parent company Morgan Sindall plc, a company registered in England and Wales, together with its subsidiaries. Advantage has been taken of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with entities that are part of the Morgan Sindall PLC group. Balances with these entities are disclosed in notes 10 and 11 of these financial statements.

Lovell Partnerships Limited is a wholly owned subsidiary of Morgan Sindall plc, who report consolidated financial statements.

In the ordinary course of business, the group has traded with its associated companies, The Compendium Group Limited and Compendium Regeneration (Coalville) Limited, both of whom are companies registered in England and Wales.

	Turnover		Due at 31 December	
	2009	2008	2009	2008
	£	£	£	£
The Compendium Group Limited	247,718	42,435	-	-
Compendium Regeneration (Coalville) Limited	1,372,359	2,272,788	-	133,536
	<u>1,620,077</u>	<u>2,315,223</u>	<u>-</u>	<u>133,536</u>

22. Post balance sheet events

On 1 January 2010, the trade and assets of Lovell Respond Limited, were transferred to their parent company Lovell Partnerships Limited for consideration equal to their net book value.