CDC2020 plc

Registered number: 4321699

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CENTEX

2005

Annual Report and Financial Statements

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A CENTEX Company

CDC2020 plc

Annual report and financial statements
for the year ended 31 March 2005

Registered number: 4321699

Contents

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited Financial Statements and independent auditors' report, for the year ended 31 March 2005.

Principal activities and business review

The company operates as a house-builder in the UK. Its activities are concentrated in the South East of England, primarily south of the Thames, where it is building homes, from select groups of family homes and apartment developments to more complex landmark schemes. During the year, the average number of sites under development was 11. The company sold 107 units in the year to 31 March 2005 at prices ranging from £63,800 to £970,700 with the average selling price being £259,785.

Results and dividends

The audited financial statements for the year ended 31 March 2005 are set out on pages 5 to 16. The loss for the year after taxation was £2,713,000 (year ended 31 March 2004: profit £692,000).

The directors are unable to recommend the payment of dividends by the company for the year ended 31 March 2005 (year ended 31 March 2004: £nil).

Subsequent Events

With effect from 1 April 2005, all of the Company's trade and assets were transferred at net book value, which in the Directors' opinion is equivalent to the fair value, to Fairclough Homes Group Limited, a Group company, and therefore CDC2020 plc will no longer trade.

Directors and their interests

The directors who served during the year and subsequent to that date were as follows:

P M Bak
S A Baseley
S R Jackson
N H Smith (resigned 31 January 2005)
R J Wood

The directors holding office at 31 March 2005 did not hold any beneficial interest in the issued share capital of the company at either 31 March 2005 or 31 March 2004.

Qualified third party indemnity

In accordance with the Company's Articles of Association, directors and other officers are granted an indemnity for their defence costs from the company to the extent permitted by law.

Fixed assets

Information relating to changes in tangible fixed assets is given in Note 11 to the Financial Statements.

Employees

The Company's management policies seek to ensure that all employees' careers are determined solely on merit. No employee will suffer because of his or her sex, race, ethnic origin or religious belief. The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

It is the company's policy to enable suitably qualified disabled persons to seek and maintain employment and to assist them in overcoming their handicaps at work. The company recognises that special conditions are necessary in view of the nature of its main activities to ensure that disabled persons employed are properly trained for the tasks they perform.

Supplier payment policy

The company's policy is to agree terms and conditions under which transactions with its suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms and conditions, provided that the supplier complies with all of its obligations in this regard. At 31 March 2005, the Company had an average of 77 days purchases outstanding in trade creditors (2004: 53 days).

Auditors

A resolution to re-appoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting in accordance with section 384(1) of the Companies Act 1985.

Registered Office
Third Floor, Meirion House
18-28 Guildford Road
Woking
Surrey
GU22 7QF

By order of the Board

For and on behalf of
CLIFFORD CHANCE SECRETARIES LIMITED
Authorised Signatory

Clifford Chance Secretaries Limited

Company Secretary

28 July 2005

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 of the company for that year. In preparing the 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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.

Independent auditors' report

To the members of CDC2020 plc

We have audited the Company's Financial Statements for the year ended 31 March 2005 which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 23. These Financial Statements have been prepared on the basis of the accounting policies set out therein.

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 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the Financial Statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

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 United Kingdom 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 affairs of the Company as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
28 July 2005

Profit and loss account

For the year ended 31 March 2005

	Notes	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Turnover – discontinued operations	2	27,246	43,940
Cost of sales		(26,502)	(38,203)
Gross profit		744	5,737
Administrative expenses		(3,390)	(3,866)
Operating (loss)/profit	3	(2,646)	1,871
Profit on disposal of intangible assets	6	286	2
(Loss)/Profit on ordinary activities before interest		(2,360)	1,873
Interest receivable and similar income	7	-	8
Interest payable and similar charges	8	(1,467)	(845)
(Loss)/Profit on ordinary activities before taxation		(3,827)	1,036
Taxation on (loss)/profit on ordinary activities	9	1,114	(344)
(Loss)/Profit on ordinary activities after taxation		(2,713)	692
Retained (loss)/profit for the financial year	17	(2,713)	692

All the amounts above relate to discontinued activities.

No separate statement of total gains and losses has been presented as all such gains and losses have been dealt with in the Profit and Loss account.

The accompanying notes 1 - 23 form part of these financial statements.

Balance sheet

31 March 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	10	72	127
Tangible assets	11	31	56
		103	183
Current assets			
Stocks	12	48,260	48,104
Debtors	13	3,011	3,701
		51,271	51,805
Creditors: Amounts falling due within one year	14	(27,117)	(24,404)
Net current assets		24,154	27,401
Total assets less current liabilities		24,257	27,584
Creditors: Amounts falling due after more than one year	15	(26,000)	(26,614)
Net (liabilities)/assets		(1,743)	970
Capital and reserves			
Called-up share capital	16	50	50
Profit and loss account	17	(1,793)	920
Shareholders' funds – Equity	18	(1,743)	970

The financial statements were approved by the board of directors on 28 July 2005 and signed on its behalf by:

Stanley R Jackson

Director

The accompanying notes 1-23 form part of these Financial Statements.

Notes to financial statements

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are as follows:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The directors have taken advantage of the exemption in FRS 8, paragraph 3(c) not to disclose related party transactions with fellow group undertakings.

The Company has taken advantage of the exemption available in FRS 1 (revised) to present a cash flow statement as it is a subsidiary undertaking of Centex Corporation. Centex Corporation controls 99.7% of the voting rights of the Company. The consolidated Financial Statements of Centex Corporation which include the Company are publicly available.

b) Fundamental accounting concept

These Financial Statements have been prepared under the going concern basis as Centex UK Limited, the Company's immediate parent undertaking, has agreed not to demand repayment of amounts owed to it for a period until at least 12 months after the date of approval by the Directors of these Financial Statements, if to do so were to mean that the Company was unable to pay its debts as they fall due.

c) Intangible assets – ground rents

The rights to receive ground rents have been capitalised at a multiple of the income stream receivable which is dependent upon market rates. No amortisation is provided on ground rents. Management periodically consider the need for any provision for impairment.

d) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its estimated useful life, as follows:

Plant and equipment - mainly 3 to 5 years

e) Stocks

Stocks, including land, work in progress and part exchange properties, are stated at the lower of cost, including direct construction costs and site overheads, and net realisable value. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

1 Accounting policies (continued)

f) Taxation

UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

g) Turnover

Turnover represents the amounts (excluding value added tax) derived from the sales of new houses, land sales, build contracts and management fees earned from residential development activities.

Turnover from house sales represents the selling price for the unit, net of any cash incentives, together with any amounts receivable for showhouse fixtures and fittings, and is recognised on legal completion.

Turnover for land sales is recognised on legal completion.

h) Land options

Land options which are expected to be exercised are included within stock at the lower of cost and net realisable value.

i) Pensions

The Group operates a defined contribution pension scheme. All contributions in respect of the accounting period have been charged to the profit and loss account.

1 Accounting policies (continued)

j) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the shorter of the lease term and a period ending on a date from which it is expected that the prevailing market rental will be payable.

2 Turnover and segmental analysis

The turnover, profit before taxation and net operating assets relate to discontinued operations, and are attributable to the principal activity of the Group and derive wholly from the United Kingdom.

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Depreciation	25	24
Operating lease rentals - plant and equipment	116	172
- land and buildings	113	113
Auditors' remuneration for audit services	27	25

Notes to financial statements (continued)

4 Staff costs

The average number of employees (including executive directors) was:

	Year ended 31 March 2005 Number	Year ended 31 March 2004 Number
Management and administration	30	33
Construction and sales	28	33
	58	66

Employee costs (including directors) during the current period amounted to:

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 Restated £'000
Wages and salaries	2,356	2,642
Social security costs	260	198
Other pension costs (see note 20)	73	55
	2,689	2,895

The figures for the year ended 31 March 2004 have been restated to include Directors' remuneration.

5 *Directors' remuneration*

The remuneration of the directors was as follows:

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Emoluments	161	241
Company contributions to money purchase schemes	18	20
	179	261

No directors were members of a money purchase scheme in respect of the year ended 31 March 2005 (year ended 31 March 2004: one).

The amounts disclosed above also reflect the remuneration of the highest paid director.

Certain directors are remunerated by a fellow group undertaking and accordingly those emoluments are set out in the Financial Statements of that Company.

6 Exceptional items

	Year Ended 31 March 2005	Year Ended 31 March 2004
Profit on disposal of:	£'000	£'000
Portfolio of ground rents	286	2

The profit on disposal of the portfolio of ground rents is calculated as follows:

	Year Ended 31 March 2005 £'000	Year Ended 31 March 2004 £'000
Proceeds	436	3
Less: Net book value	(110)	(1)
Less: Disposal costs	(40)	-
	286	2

7 Interest receivable and similar income

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Other interest receivable and similar income	-	8
	-	8

8 Interest payable and similar charges

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Interest payable to group undertakings	1,467	845
	1,467	845

9 Taxation on (loss)/profit on ordinary activities

a) The tax (credit)/charge is based on the (loss)/profit for the year and comprises:

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Current tax:		
Group relief of tax losses	(1,133)	311
Adjustment in respect of prior period	19	33
Current tax (credit)/charge	(1,114)	344

b) Factors affecting current tax charges:

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below.

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
(Loss)/Profit on ordinary activities before tax	(3,827)	1,036
(Loss)/Profit on ordinary activities at the tax rate of 30% (2004: 30%)	(1,149)	311
Effect of:		-
Expenses not deductible for tax purposes	19	-
Capital allowances in excess of depreciation	(3)	-
Adjustment in respect of prior period	19	33
Current tax (credit)/charge	(1,114)	344

The Company has not yet agreed with the Inland Revenue any adjustment for taxation purposes that might arise from the need to compute the value of intra group charges on an arms length basis. The company and its fellow group companies have agreed to surrender/ receive group taxation relief at £nil consideration in respect of any changes to the taxation credit/ charge shown above arising from any such adjustment.

c) *Factors affecting future tax charges*

Since the year end, all of the assets and trade of the Company have been transferred to a fellow Group company, Fairclough Homes Group Limited. This will affect future tax charges.

10 Intangible fixed assets – Ground rents

	£'000
At 1 April 2004	127
Additions	55
Disposals	(110)
At 31 March 2005	72

11 Tangible fixed assets

	Plant and equipment £'000	Total £'000
Cost or valuation		
At 1 April 2004 and 31 March 2005	88	88
Depreciation		
At 1 April 2004	32	32
Charge for the year	25	25
At 31 March 2005	57	57
Net book value		
At 31 March 2005	31	31
At 1 April 2004	56	56

12 Stocks

Stocks comprise the following:

	2005 £'000	2004 £'000
Development land	30,003	37,660
Work-in-progress	16,459	9,791
Part-exchange stock	1,798	653
	48,260	48,104

13 Debtors

	2005 £'000	2004 £'000
Due within one year:		
Trade debtors	284	112
Amounts owed by group undertakings	1,718	2,236
Other debtors and prepayments	1,009	1,353
	3,011	3,701

14 Creditors: Amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdraft	20,191	17,573
Trade creditors	4,777	2,643
Amounts owed to fellow group undertaking	-	1,371
Taxation and social security costs	-	17
Other creditors	23	21
Accruals and deferred income	2,126	2,779
	27,117	24,404

15 Creditors: Amounts falling due after more than one year

	2005 £'000	2004 £'000
Trade creditors	-	614
Amounts owed to parent company	26,000	26,000
	26,000	26,614

Amounts owed to parent company represents an intra group loan from Centex UK Limited to provide the Company with funding. The intra group loan is for £26,000,000 interest free and repayable upon not less than 12 months notice or immediately upon a change in ownership of the Company.

16 Called-up share capital

	2005 £	2004 £
Authorised		
50,000 ordinary A shares of £1 each	50,000	50,000
Allotted, called-up and fully paid		
50,000 ordinary A shares of £1 each	50,000	50,000

17 Profit and loss account

	2005 £'000	2004 £'000
At 1 April 2004/ 2003	920	228
Retained (loss)/profit for the year	(2,713)	692
At 31 March 2005/ 2004	(1,793)	920

18 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
(Loss)/Profit for the financial year	(2,713)	692
(Decrease)/Increase in shareholders' funds	(2,713)	692
Opening Shareholders' funds	970	278
Closing shareholders' funds	(1,743)	970

19 Lease commitments

	Plant and equipment		Land and buildings	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Current annual commitments payable under non cancellable operating leases expiring:				
Within one year	19	13	-	-
Between two and five years	65	96	113	113
	84	109	113	113

20 Pension arrangements

The company operates a defined contribution scheme. The assets of the scheme are held separately from the company in a fund administered by Standard Life. The pension cost charge represents contributions payable by the group to the scheme and amounted to £73,000 for the year ended 31 March 2005 (year ended 31 March 2004: £55,000). There were no accruals or prepayments outstanding at the balance sheet date.

21 Contingent liabilities

At the year end the directors have made provision for claims against the company where they believe the claims have a probable chance of success and have recognised amounts from third parties where recovery is virtually certain. Actions that, in the opinion of the directors have a very low likelihood of success have not been provided for or disclosed in the Financial Statements.

The Company acted as a guarantor under the Centex Development Funding Group revolving credit facility, which was repaid on 28 February 2005. On 22 February 2005, Centex Development Funding Company UK Limited entered into a new revolving credit facility in which it is the sole borrower. The new facility is guaranteed by Centex Corporation, the Company's ultimate parent undertaking.

At 31 March 2005, the Centex Development Funding Group held £1,161,000 under a bonding facility granted by National Westminster Bank plc. This facility is in the name of Centex Development Funding Company UK Limited, with the Company acting as a guarantor.

	2005	2004
	£'000	£'000
Guarantee of revolving credit facility	-	55,000
Guarantee of bonding facility	1,161	1,161
	1,161	56,161

22 Post balance sheet events

With effect from 1 April 2005, all of the Company's trade and assets were transferred at net book value, which in the Directors' opinion is equivalent to the fair value, to another Group company, Fairclough Homes Group Limited.

23 Ultimate parent company and controlling party

The ultimate parent undertaking in the UK of the Company is Centex Development Company UK Limited, a company incorporated in England and Wales.

In the directors' opinion, the Company's ultimate parent undertaking and controlling party is Centex Corporation. The largest group for which Financial Statements are prepared is that headed by Centex Corporation. Copies of those Financial Statements are available from 2728 North Harwood, Dallas, TX 75201 - 1516, USA.

The smallest group of which the Company is a member and for which group accounts are drawn up is that headed by the Company's UK parent company, Centex Development Funding Company UK Limited. Copies of those Financial Statements are available from Third Floor, Meirion House, 18-28 Guildford Road, Woking, Surrey GU22 7QF.