

CDC2020 plc

Registered number: 4321699



CENTEX

2004

Annual Report and Financial Statements

20

A CENTEX Company

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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 2004. The comparative period is for the period from 13 November 2001 to 31 March 2003 and reflects trading for the period commencing 29 December 2002.

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 12. The company sold 187 units in the year to 31 March 2004 at prices ranging from £75,000 to £629,000 with the average selling price being £234,973.

All development schemes are carefully designed to respect the special characteristics of each individual site. Customers are placed at the centre of the company's operations, and the company is structured to maintain this focus.

The Directors anticipate a period of expansion and funds are in place to support these plans.

Results and dividends

The audited financial statements for the year ended 31 March 2004 are set out on pages 5 to 16. The profit for the year after taxation was £692,000 (period ended 31 March 2003: £228,000).

The directors recommend that no dividends be paid by the company for the year ended 31 March 2004 (period ended 31 March 2003: £nil).

Directors and their interests

The directors who served during the year were as follows:

P M Bak
S A Baseley
S R Jackson
N H Smith
R J Wood

The directors holding office at 31 March 2004 did not hold any beneficial interest in the issued share capital of the company at either 31 March 2004 or 31 March 2003.

Fixed assets

Information relating to changes in tangible fixed assets is given in Note 10 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.

Directors' report (continued)

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.

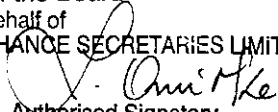
Supplier payment policy

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.

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.

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
Secretary
23 July 2004

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 2004 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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.

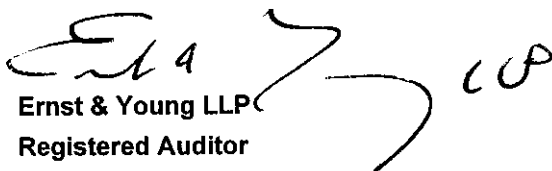
Basis of audit opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London



25th August 2004

Profit and loss account

For the year ended 31 March 2004

		Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
	Notes		
Turnover – continuing operations	2	43,940	11,718
Cost of sales		(38,203)	(10,127)
Gross profit		5,737	1,591
Income from fellow group undertaking		-	2,241
Administrative expenses		(3,866)	(2,992)
Operating profit		1,871	840
Profit on disposal of fixed assets		2	-
Profit on ordinary activities before interest		1,873	840
Interest receivable and similar income	6	8	-
Interest payable and similar charges	7	(845)	(514)
Profit on ordinary activities before taxation	3	1,036	326
Taxation on profit on ordinary activities	8	(344)	(98)
Profit on ordinary activities after taxation		692	228
Retained profit for the financial period	16	692	228

There are no recognised gains or losses in the year other than the profit of £692,000 (period ended 31 March 2003: profit of £228,000).

The accompanying notes 1 - 21 form part of these financial statements.

Balance sheet

31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	9	127	20
Tangible assets	10	<u>56</u>	<u>80</u>
		183	100
Current assets			
Stocks	11	48,104	36,960
Debtors	12	<u>3,701</u>	<u>5,834</u>
		51,805	42,794
Creditors: Amounts falling due within one year	13	<u>(24,404)</u>	<u>(16,121)</u>
Net current assets		<u>27,401</u>	<u>26,673</u>
Total assets less current liabilities		27,584	26,773
Creditors: Amounts falling due after more than one year	14	<u>(26,614)</u>	<u>(26,495)</u>
Net assets		<u>970</u>	<u>278</u>
Capital and reserves			
Called-up share capital	15	50	50
Profit and loss account	16	<u>920</u>	<u>228</u>
Shareholders' funds – Equity	17	<u>970</u>	<u>278</u>

The financial statements were approved by the board of directors on 23 July 2004 and signed on its behalf by:



Stanley R Jackson

Director

The accompanying notes 1-21 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 period, 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) 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.

c) 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:

Freehold buildings	- 50 years
Leasehold land and buildings	- shorter of lease term or 50 years
Plant and equipment	- mainly 3 to 5 years

d) 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.

Notes to financial statements (continued)

1 Accounting policies (continued)

e) 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.

f) 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.

g) Land options

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

h) 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.

Notes to financial statements (continued)

1 Accounting policies (continued)

i) 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 – continuing operations

The activities are regarded by the directors as a single class of business.

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Turnover by geographical area:		
United Kingdom	<u>43,940</u>	<u>11,718</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Depreciation	24	12
Operating lease rentals - plant and equipment	172	110
- land and buildings	113	113
Auditors' remuneration for audit services	<u>25</u>	<u>25</u>

Notes to financial statements (continued)

4 Staff costs

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

Year ended 31 March 2004 Number	Period ended 31 March 2003 Number
<u>66</u>	<u>73</u>

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

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Wages and salaries	2,401	1,508
Social security costs	167	150
Other pension costs (see note 19)	<u>35</u>	<u>46</u>
	<u>2,603</u>	<u>1,704</u>

5 Directors' remuneration

The remuneration of the directors was as follows:

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Emoluments	241	340
Company contributions to money purchase schemes (see note 19)	<u>20</u>	<u>19</u>
	<u>261</u>	<u>359</u>

One director was a member of a money purchase scheme in respect of the year ended 31 March 2004 (period ended 31 March 2003: 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.

Notes to financial statements (continued)

6 Interest receivable and similar income

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Other interest receivable and similar income	8	-
	<u>8</u>	<u>-</u>

7 Interest payable and similar charges

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Interest payable to group undertakings	845	514
	<u>845</u>	<u>514</u>

8 Taxation on profit on ordinary activities

a) The tax charge is based on the profit for the period and comprises:

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Current tax:		
UK Corporation tax	311	98
Adjustment in respect of prior period	33	-
Current tax charge	<u>344</u>	<u>98</u>

b) Factors affecting current and future tax charges:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below.

	Year ended 31 March 2004 £'000	Period ended 31 March 2003 £'000
Profit on ordinary activities before tax	1,036	326
Profit on ordinary activities multiplied by the tax rate of 30% (2003: 30%)	311	98
Adjustment in respect of prior period	33	-
Current tax charge	<u>344</u>	<u>98</u>

The Directors are not aware of any factors that are likely to affect future tax charges.

Notes to financial statements (continued)

9 Intangible fixed assets – Ground rents

	£'000
At 1 April 2003	20
Additions	108
Disposals	(1)
At 31 March 2004	<u>127</u>

10 Tangible fixed assets

	Plant and equipment £'000	Total £'000
Cost or valuation		
At 1 April 2003 and 31 March 2004	<u>88</u>	<u>88</u>
Depreciation		
At 1 April 2003	8	8
Charge for the year	<u>24</u>	<u>24</u>
At 31 March 2004	<u>32</u>	<u>32</u>
Net book value		
At 31 March 2004	<u>56</u>	<u>56</u>
At 1 April 2003	<u>80</u>	<u>80</u>

11 Stocks

Stocks comprise the following:

	2004 £'000	2003 £'000
Development land, work in progress and part exchange properties	<u>48,104</u>	<u>36,960</u>

Notes to financial statements (continued)

12 Debtors

	2004 £'000	2003 £'000
Due within one year:		
Trade debtors	112	329
Amounts owed by group undertakings	2,236	4,260
Other debtors and prepayments	1,353	1,223
	<u>3,701</u>	<u>5,812</u>
Due after one year:		
Other debtors	-	22
Total debtors	<u>3,701</u>	<u>5,834</u>

13 Creditors: Amounts falling due within one year

	2004 £'000	2003 £'000
Bank overdraft	17,573	8,173
Trade creditors	2,643	1,863
Amounts owed to fellow group undertaking	1,371	344
Taxation and social security costs	17	39
Other creditors	21	-
Accruals and deferred income	2,779	5,702
	<u>24,404</u>	<u>16,121</u>

14 Creditors: Amounts falling due after more than one year

	2004 £'000	2003 £'000
Trade creditors	614	495
Amounts owed to parent company	26,000	26,000
	<u>26,614</u>	<u>26,495</u>

The company forms part of the Centex Development Funding Group and is a supplemental borrower under that Group's revolving credit facility with a syndicate of banks arranged by The Royal Bank of Scotland. This facility is in the name of Centex Development Funding Company UK Limited and the amounts drawn down carry interest at LIBOR plus 1% per annum and is secured against the assets of the group by way of a fixed charge over its investments and floating charge over its other assets. The facility terminates on 1 April 2006 when any amounts outstanding are repayable. At the year end the amount drawn down by this company under the facility was £nil.

Notes to financial statements (continued)

14 Creditors: Amounts falling due after more than one year (continued)

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.

15 Called-up share capital

	2004 £	2003 £
<i>Authorised</i>		
50,000 ordinary A shares of £1 each	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called-up and fully paid</i>		
Ordinary A shares of £1 each	<u>50,000</u>	<u>50,000</u>

16 Profit and loss account

	2004 £'000
At 1 April 2003	228
Retained profit for the period	<u>692</u>
At 31 March 2004	<u>920</u>

17 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit for the financial period	692	228
New share capital issued	<u>-</u>	<u>50</u>
Increase in shareholders' funds	692	278
Opening Shareholders' funds	<u>278</u>	<u>-</u>
Closing shareholders' funds	<u>970</u>	<u>278</u>

Notes to financial statements (continued)

18 Lease commitments

	Plant and equipment		Land and buildings	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Current annual commitments payable under non cancellable operating leases expiring:				
Within one year	13	90	-	-
Between two and five years	96	5	-	-
Over five years	-	-	113	113
	<u>109</u>	<u>95</u>	<u>113</u>	<u>113</u>

19 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 £55,000 for the year ended 31 March 2004 (period ended 31 March 2003: £65,000). There were no accruals or prepayments outstanding at the balance sheet date.

20 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 acts as a guarantor under the Centex Development Funding Group revolving credit facility. At 31 March 2004, the Group had drawn down £55,000,000 in the name of Fairclough Homes Group Limited of which CDC2020 plc together with other Group companies acts as guarantor. The company also acts as guarantor, in the same manner, under a bonding facility granted by National Westminster Bank plc held in the name of Centex Development Funding Company and Group companies.

	2004 £'000	2003 £'000
Guarantee of revolving credit facility	55,000	44,000
Guarantee of bonding facility	<u>1,161</u>	<u>4,950</u>
	<u>56,161</u>	<u>48,950</u>

Notes to financial statements (continued)

21 Ultimate parent company

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, following the merger with 3333 Holding Corporation and subsidiaries (including Centex Development Company LP). The largest group for which Financial Statements are prepared is that headed by Centex Corporation. Copies of the 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 the Financial Statements are available from Third Floor Meirion House, 18-28 Guildford Road, Woking, Surrey GU22 7QF.