

**Litrose Investments Limited**

**Directors' report and financial  
statements**

Registered number 897216

31 July 2012



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## Directors' report

The directors present their directors' report and financial statements for the year ended 31 July 2012

### Principal activities and business review

The principal activity of the Company is investment in land and the receipt of ground rents

The Company continues to operate on a modest scale and no material change is expected in the year ending 31 July 2012

### Results

The results for the year are set out on page 5

The Company's profit for the financial year amounted to £13,458 (2011 £12,106)

### Proposed dividend

The directors do not recommend the payment of a dividend (2011 £nil)

### Directors

The directors who held office during the year and up to the date of this report were as follows

JK Watson	
RC St John Wilson	
AM Leitch	(appointed 1 August 2011 and resigned 31 January 2012)
EF Ayres	(appointed 1 August 2011)
KD Adey	(appointed 1 February 2012)

### Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2011 £nil)

### Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

### Auditors

In accordance with Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board



GK Wightson  
Secretary

Seaton Burn House  
Dudley Lane  
Seaton Burn  
Newcastle upon Tyne  
NE13 6BE

15 October 2012

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 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 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

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

### **Independent auditor's report to the members of Litrose Investments Limited**

We have audited the financial statements of Litrose Investments Limited for the year ended 31 July 2012 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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, and express an opinion on, 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**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **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 July 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter 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.

## **Independent auditor's report to the members of Litrose Investments Limited** *(continued)*

### **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



**MR Thompson (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle Upon Tyne  
NE1 3DX

15 October 2012

## Income Statement

*for the year ended 31 July 2012*

	<i>Note</i>	2012 £	2011 £
<b>Revenue</b>	<i>1, 2</i>	<b>19,277</b>	<b>19,790</b>
Cost of sales		(1,508)	(2,134)
<b>Gross profit</b>		<b>17,769</b>	<b>17,656</b>
Administrative expenses		(1,232)	(997)
<b>Profit before taxation</b>	<i>3 4</i>	<b>16,537</b>	<b>16,659</b>
Income tax expense	<i>5</i>	(3,079)	(4,553)
<b>Profit for the year</b>		<b>13,458</b>	<b>12,106</b>

## Statement of Comprehensive Income

*for the year ended 31 July 2012*

During the current and preceding financial years there have been no gains or losses other than those recognised in the Income Statement

**Statement of Changes in Equity**  
*for the year ended 31 July 2012*

	Share capital £	Retained earnings £	Total equity £
At 1 August 2010	2	228,251	228,253
<b>Total comprehensive income for the period</b>			
Profit for the financial year	-	12,106	12,106
Total other comprehensive income*	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	12,106	12,106
<b>Transactions with shareholders, recorded directly in equity</b>	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2011	2	240,357	240,359
<b>Total comprehensive income for the period</b>			
Profit for the financial year	-	13,458	13,458
Total other comprehensive income*	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	13,458	13,458
<b>Transactions with shareholders, recorded directly in equity</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 July 2012</b>	<b>2</b>	<b>253,815</b>	<b>253,817</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

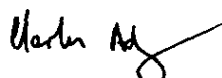
\*Additional breakdown is provided in the Statement of Comprehensive Income



**Balance Sheet**  
*at 31 July 2012*

	<i>Note</i>	2012 £	2011 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	100,716	100,716
<b>Current assets</b>			
Trade and other receivables	7	33,627	29,967
Cash at bank and in hand		124,538	116,800
<b>Total assets</b>		<u>258,881</u>	<u>247,483</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	874	2,571
Corporation tax payable		4,190	4,553
<b>Total liabilities</b>		<u>5,064</u>	<u>7,124</u>
<b>Net assets</b>		<u>253,817</u>	<u>240,359</u>
<b>EQUITY</b>			
Share capital	10	2	2
Retained earnings		253,815	240,357
<b>Total equity</b>		<u>253,817</u>	<u>240,359</u>

These financial statements were approved by the board of directors on 15 October 2012 and were signed on its behalf by



**KD Adey**  
*Director*

Company registered number 897216

**Cash Flow Statement**  
*for the year ended 31 July 2012*

	<i>Notes</i>	<b>2012</b> £	2011 £
<b>Cash flows from operating activities</b>			
Profit for the year		13,458	12,106
Increase in trade and other receivables		(3,660)	(4,882)
(Decrease)/increase in trade and other payables		(1,697)	702
Income tax expense	5	3,079	4,553
		<hr/>	<hr/>
<b>Cash from operations</b>		11,180	12,479
Tax paid		(3,442)	(3,295)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		7,738	9,184
Cash and cash equivalents at beginning of year		116,800	107,616
		<hr/>	<hr/>
<b>Net cash and cash equivalents at end of year</b>		<u>124,538</u>	<u>116,800</u>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### ***Basis of preparation***

Litrose Investments Limited is a company incorporated and domiciled in the UK

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and have been prepared on a historical cost basis

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as noted below

#### **Effect of new standards and interpretations effective for the first time**

The Company has adopted IFRS 7 "Financial Instruments Disclosure" (Amendment) in the Company's financial statements for the year ended 31 July 2012. This amendment provides clarification on the standard and requires additional disclosures in relation to financial instruments. The disclosures in these financial statements reflect this amendment.

The other standards and interpretations that are applicable for the first time in the Company's financial statements for the year ended 31 July 2012 have no effect on these financial statements.

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### ***Going concern***

The Company is financed by ordinary shares and retained earnings. The Company is part of the Bellway plc group finance arrangements, details of which can be found in Bellway plc's financial statements (see note 13).

The Group's activities are financed principally by a combination of ordinary shares, preference shares, bank borrowings and cash in hand. At 31 July 2012 the Group had net bank borrowings of £40.6 million having expended £62.0 million during the year. The Group has operated within all of its banking covenants throughout the year. In addition, the Group had bank facilities of £300.0 million, expiring in tranches up to November 2016, with £238.0 million available for drawdown under such facilities at 31 July 2012.

The directors consider that the Company is well placed to manage business and financial risks in the current economic environment and have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these financial statements.

#### ***Classification of financial instruments issued by the Company***

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Classification of financial instruments issued by the Company (continued)***

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### ***Trade and other receivables***

Trade and other receivables are stated at their fair value at the date of initial recognition and subsequently at amortised cost less allowances for impairment.

#### ***Trade and other payables***

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

#### ***Cash and cash equivalents***

Cash and cash equivalents are defined as cash balances in hand and in the bank (including short-term cash deposits).

#### ***Contingent liabilities***

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### ***Property, plant and equipment***

Freehold land and ground rents are stated at cost and are reviewed annually for impairment. Impairment losses are recognised in the income statement.

Ground rents and freehold land are not depreciated.

#### ***Revenue***

Revenue represents rents, ground rents receivable and income from retrospective consents, net of VAT, and arises in the UK. Revenue is recognised in the income statement on an accruals basis.

#### ***Finance income***

Finance income relates to interest receivable on bank deposits and is recognised in the income statement as it accrues, using the effective interest rate method.

#### ***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### ***Taxation***

The charge for taxation is based on the result for the year and takes into account current and deferred taxation. The charge is recognised in the income statement except to the extent that it relates to items recognised in equity in which case it is recognised in equity.

Deferred taxation is provided for all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## Notes (continued)

### 1 Accounting policies (continued)

#### Accounting estimates and judgements

There have been no significant estimates or judgements required in the preparation of the financial statements for the current year

#### Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant amendments which have not been applied in these financial statements, were in issue and endorsed by the EU but not yet effective

IAS 1 "Presentation of Financial Statements" (Amendment) The amendment requires the separate disclosure of the tax effect of each item of other comprehensive income. This is effective for the period beginning on 1 August 2012

IAS 19 "Employee Benefits" (Amendment) The amendment requires additional disclosures, the disaggregation of plan costs and the removal of the corridor approach for the recognition of actuarial gains and losses. This is effective for the period beginning on 1 August 2013

The Board anticipates that these amendments will be adopted in the Company's financial statements in the year they become effective and that the adoption of these amendments will not have a significant effect on the Company's financial statements

Of the other IFRSs that are available for early adoption, none are expected to have a material effect on the financial statements

### 2 Revenue

The Company uses business as the basis for primary segmentation. Operations are carried out within one business segment which is investment in land and receipt of ground rents. No additional business segment is required to be provided. The Company's secondary segment is geography. It operates in one geographical segment, the United Kingdom, therefore no additional geographical segment information is required to be provided

### 3 Auditor's remuneration

	2012 £	2011 £
<i>Auditor's remuneration</i>		
Audit of these financial statements	1,200	1,200

### 4 Employee information

No emoluments were paid by the Company to directors in either the current or preceding financial year. In addition, during those years, the Company employed no personnel other than the directors and incurred no staff costs

### 5 Taxation

	2012 £	2011 £
<i>Current tax expense</i>		
Current year	3,079	4,553

## Notes (continued)

### 5 Taxation (continued)

#### Reconciliation of effective tax rate

	2012 %	2012 £	2011 %	2011 £
Profit before tax		16,537		16,659
Tax calculated at UK corporation tax rate	25.3	4,190	27.3	4,553
Adjustment in respect of prior year	(6.7)	(1,111)	-	-
Total tax expense	18.6	3,079	27.3	4,553

### 6 Property, plant and equipment

	Completed ground rents £	Freehold land £	Total £
<i>Cost</i>			
Cost at 1 August 2010, 31 July 2011 and 31 July 2012	30,682	70,034	100,716

Ground rents and freehold land are not depreciated

### 7 Trade and other receivables

	2012 £	2011 £
Trade receivables	685	2,782
Prepayment and accrued income	13,783	11,019
Amounts owed by Group undertaking (note 12)	19,159	16,166
	33,627	29,967

All of the above amounts fall due within one year. None of the trade receivables are past their due dates (2011 *£nil*)

### 8 Trade and other payables

	2012 £	2011 £
Accruals and deferred income	874	2,571

## Notes (continued)

### 9 Financial risk management

The Company's financial instruments predominantly comprise trade receivables and trade payables that arise directly from its operations. The main objective of the Company's policy towards financial instruments is to maximise returns on the Company's cash balances, manage the Company's working capital requirements and finance the Company's ongoing operations.

#### *Capital Management*

The Company has significant cash in hand and at bank of £124,538 (2011 £116,800) and has continued to generate cash from operations in the current year. The Company is part of the Group's banking arrangements and has access to an overdraft (see liquidity below).

#### *Management of financial risk*

The main risks associated with the Company's financial instruments have been identified as credit risk, interest rate risk, and liquidity risk. The Board is responsible for managing these risks and the policies adopted, which have remained largely unchanged during the year, are set out below.

#### *Credit risk*

In respect of trade receivables and other financial assets, the amounts presented in the balance sheet are stated after adjusting for any doubtful receivables, based on the judgement of management through using both previous experience and knowledge of the current position.

The Board considers the Company's exposure to credit risk to be acceptable and normal for an entity of its size given the industry in which it operates.

#### *Interest rate risk*

Interest rate risk reflects the Company's exposure to fluctuations in interest rates in the market. The risk arises because the Company's cash balances bear interest based on either LIBOR or at the bank's base rate.

For the year ended 31 July 2012 it is estimated that an increase of 1% in interest rates applying for the full year would increase the Company's profit before tax by £1,207 (2011 £1,122).

#### *Liquidity risk*

The Company finances its operations through a combination of cash in hand and at bank, share capital, reserves and retained earnings. The Company is party to group banking arrangements (see note 11) and as such has access to a Group overdraft facility. The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a two year rolling cash forecast.

Bellway plc's banking arrangements outlined in their 2012 Annual Report and Accounts are considered to be adequate in terms of flexibility and liquidity for its medium-term cash flow needs therefore mitigating the Company's liquidity risk.

#### *Financial assets and liabilities by category*

	2012 £	2011 £
Loans and receivables	19,844	18,948
Cash and cash equivalents	124,538	116,800
Financial liabilities at amortised cost	(4,190)	(4,553)
	<u>140,192</u>	<u>131,195</u>

## Notes (continued)

### 9 Financial risk management (continued)

#### Fair values

The carrying values of financial assets and liabilities are not materially different to their fair values

### 10 Called up share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

### 11 Contingent liabilities

The Company is liable, jointly and severally with other members of the Group, under guarantees given to the Group's bankers in respect of overdrawn balances on Group bank accounts, and in respect of other overdrafts, loans and guarantees given by the banks to or on behalf of other Group undertakings. At 31 July 2012 there were Group bank overdrafts of £nil (2011 £nil) and loans of £62,000,000 (2011 £80,000,000). It is the directors' expectation that the possibility of cash outflows on these liabilities is considered minimal and no provision is required.

### 12 Related party disclosure

Key management personnel comprise the directors (note 4)

At 31 July 2012 Litrose Investments Limited was owed £19,159 (2011 £16,166) by Group subsidiary undertakings. The amount was for ground rents received by Bellway Homes Limited, a subsidiary of Bellway plc which is the ultimate parent company of Litrose Investments Limited.

There are no transactions between the Company and other Group companies.

### 13 Ultimate parent company and parent company of larger group

The ultimate parent company and ultimate controlling party is Bellway plc, a Company incorporated in England and Wales.

The only group in which the results of the Company are consolidated is that headed by Bellway plc. Copies of the Bellway plc consolidated Group accounts can be obtained from the Company Secretary, Bellway plc, Seaton Burn House, Dudley Lane, Seaton Burn, Newcastle upon Tyne, NE13 6BE.