

Litrose Investments Limited

**Directors' report and financial
statements**

Registered number 897216

31 July 2009



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of Litrose Investments Limited	3
Income Statement	5
Statement of Recognised Income and Expense	5
Balance Sheet	6
Cash Flow Statement	7
Notes	8

Directors' report

The directors present their directors' report and financial statements for the year ended 31 July 2009.

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 2010.

Results

The results for the year are set out on page 5.

The company's profit for the financial year amounted to £16,648 (2008: £13,717).

Proposed dividend

The directors do not recommend the payment of a dividend (2008: *£nil*).

Directors

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

JK Watson
RC St John Wilson
PJ Stoker

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2008: *£nil*).


Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

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

By order of the board


GK Wrightson
Secretary

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

12 October 2009

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 auditors' report to the members of Litrose Investments Limited

We have audited the financial statements of Litrose Investments Limited for the year ended 31 July 2009 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 sections 495 and 496 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 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 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/UKNP.

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 2009 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 auditors' 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.

M. R. Thompson

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

12 October 2009

Income Statement
for the year ended 31 July 2009

	<i>Note</i>	2009 £	2008 £
Revenue	<i>1,2</i>	19,874	21,079
Cost of sales		(1,961)	(2,572)
Gross profit		17,913	18,507
Administrative expenses		(1,265)	(1,292)
Operating profit		16,648	17,215
Finance income	<i>5</i>	-	2
Profit before taxation	<i>3,4</i>	16,648	17,217
Income tax expense	<i>6</i>	-	(3,500)
Profit for the year	<i>12</i>	16,648	13,717

All operations were continuing in the current and prior year.

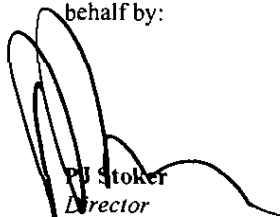
Statement of Recognised Income and Expense
for the year ended 31 July 2009

There were no items of income or expense for the current or prior year other than those reported in the income statement.

Balance Sheet
at 31 July 2009

	<i>Note</i>	2009 £	2008 £
ASSETS			
Non-current assets			
Property, plant and equipment	7	100,716	100,716
Current assets			
Trade and other receivables	8	18,383	12,579
Cash at bank and in hand		98,511	92,666
Total assets		217,610	205,961
LIABILITIES			
Current liabilities			
Trade and other payables	9	(1,752)	(3,251)
Corporation tax payable		-	(3,500)
Total liabilities		(1,752)	(6,751)
Net assets		215,858	199,210
Equity			
Share capital	11	2	2
Retained earnings	12	215,856	199,208
Total equity		215,858	199,210

These financial statements were approved by the board of directors on 12 October 2009 and were signed on its behalf by:


PJ Stoker
Director

Cash Flow Statement
for the year ended 31 July 2009

	<i>Notes</i>	2009 £	2008 £
Cash flows from operating activities			
Profit for the year		16,648	13,717
Profit on sale of property, plant and equipment		-	(796)
Finance income		-	(2)
Increase in trade and other receivables		(5,804)	(2)
Decrease in trade and other payables		(1,499)	(2,672)
Income tax		-	3,500
		<hr/>	<hr/>
Cash from operations		9,345	13,745
Tax paid		(3,500)	(2,990)
		<hr/>	<hr/>
Net cash inflow from operating activities		5,485	10,755
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	7	-	893
Interest received	5	-	2
		<hr/>	<hr/>
Net cash flows from investing activities		-	895
		<hr/>	<hr/>
Net increase in cash and cash equivalents		5,845	11,650
Cash and cash equivalents at beginning of year		92,666	81,016
		<hr/>	<hr/>
Net cash and cash equivalents at end of year		98,511	92,666
		<hr/> <hr/>	<hr/> <hr/>

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.

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 meets its financing requirements through its bank balance.

The company is subject to a cross guarantee banking arrangement with its ultimate parent undertaking, Bellway p.l.c. and certain other Group undertakings. Detailed information regarding the financial position of the Group headed by Bellway p.l.c., its cash flows, liquidity position and borrowing facilities are included in the financial statements of Bellway p.l.c., which can be obtained from the address given in note 15.

The Group meets its day to day working capital requirements through a combination of ordinary shares, preference share, bank borrowings and cash in hand. During the year the Group has reduced the level of bank debt by £180.9m to £36.8m, reducing the Group's interest rate exposure. The Group has operated within all of its banking covenants throughout the year. At 31 July 2009 borrowings, net of cash balances, were £56.8m, representing gearing of 5.9% (including preference shares). In addition, the Group had bank facilities of £370.0m, expiring in tranches up to April 2015, with £290.0m available for drawdown under such facilities as at 31 July 2009. On 6 August 2009 the Group raised net proceeds of £43.7m from the issue of 5,747,648 12.5 pence new ordinary shares.

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 is 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.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

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.

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 there were a number of Standards and Interpretations which were in issue and endorsed by the EU but not yet effective. These have not been applied in these financial statements and are not expected to have a material effect when they become effective.

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 Expenses and auditor's remuneration

	2009 £	2008 £
<i>Included in profit/(loss) are the following:</i>		
Profit on sale of property, plant and equipment	-	796
<i>Auditors' remuneration:</i>		
Audit of these financial statements	1,150	1,175

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 Finance income

	2009 £	2008 £
Other interest receivable	-	2

Notes (continued)

6 Taxation

	2009 £	2008 £
<i>Current tax expense:</i>		
Current year	-	3,500
Adjustment in respect of prior period	-	-
	<hr/>	<hr/>
Total tax expense	-	3,500
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2009 %	2009 £	2008 %	2008 £
Profit before tax		16,648		17,217
		<hr/>		<hr/>
Tax calculated at UK corporation tax rate	21.0	3,496	20.0	3,443
Effect of hybrid rate of tax	-	-	0.3	57
Group relief received	(21.0)	(3,496)	-	-
		<hr/>		<hr/>
Total tax expense		-	20.3	3,500
		<hr/>		<hr/>

7 Property, plant and equipment

	Completed ground rents £	Freehold land £	Total £
<i>Cost</i>			
Cost at 1 August 2007, 31 July 2008 and 31 July 2009	30,682	70,034	100,716
	<hr/>	<hr/>	<hr/>

Ground rents and freehold land are not depreciated.

8 Trade and other receivables

	2009 £	2008 £
Trade receivables	1,450	687
Prepayment and accrued income	11,783	11,892
Amounts owed by Group undertaking (note 14)	5,150	-
	<hr/>	<hr/>
	18,383	12,579
	<hr/>	<hr/>

All of the above amounts fall due within one year. None of the trade receivables are past their due dates (2008: *£nil*).

Notes (continued)

9 Trade and other payables

	2009 £	2008 £
Accruals and deferred income	1,752	3,251

10 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 £98,511 (2008: £92,666) 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 overdraft balance bears interest based on either LIBOR or at the bank's base rate.

For the year ended 31 July 2009 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 £956 (2008: £868).

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 13) 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 p.l.c.'s banking arrangements outlined in their 2009 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.

Notes (continued)

10 Financial risk management (continued)

Fair values

The carrying values of financial assets and liabilities equates to their fair values.

11 Called up share capital

	2009 £	2008 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

12 Reconciliation of movements in capital and reserves

	Ordinary share capital £	Retained earnings £	Total equity £
At 1 August 2007	2	185,491	185,493
Profit for the financial year	-	13,717	13,717
	<hr/>	<hr/>	<hr/>
At 31 July 2008	2	199,208	199,210
Profit for the financial year	-	16,648	16,648
	<hr/>	<hr/>	<hr/>
At 31 July 2009	2	215,856	215,858
	<hr/>	<hr/>	<hr/>

13 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 2009 there were Group bank overdrafts of £nil (2008: £nil) and loans of £80,000,000 (2008: £327,000,000).

Notes *(continued)*

14 Related party disclosure

Key management personnel comprise the directors (note 4).

At 31 July 2009 Litrose Investments Limited was owed £5,150 (2008: *£nil*) by Group subsidiary undertakings. The amount was for Ground Rents received by Bellway Homes Limited, a subsidiary of Bellway p.l.c. which is the ultimate parent company of Litrose Investments Limited.

There are no transactions between the company and other group companies.

15 Ultimate parent company and parent company of larger group

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

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