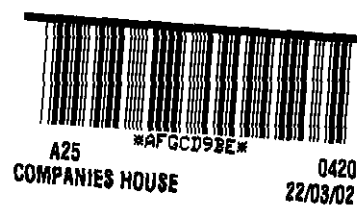


WARD HOLDINGS LIMITED

Directors' report and financial statements

31 October 2001

Registered Number: 300534



Ward Holdings Limited

Directors' report and financial statements

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Ward Holdings Limited

Chairman's Statement

I am pleased to report on behalf of the Group Board that the first full trading year of the group after de-listing from the London Stock Exchange has been highly successful.

Operating profits increased by 67% to £12.5m from £7.5m. This was achieved through a 44% increase in Turnover to £71.9m complete with an improvement in operating margins to 17.4% from 15%. Continued improvements in the use of capital has improved to show a return on capital of 37.1% up from 26.5%.

During the year we have improved the quality of our land bank, particularly the land, which we hold for long-term development. Obtaining planning permissions and the other agreements, which are necessary before a start on site can be made, makes having a longer term land bank a key item to control in a housing business.

Continued emphasis is placed on the quality of our product and the service, we provide to our customers. It is of considerable credit to all involved that our own customer surveys show a continuing improvement in this very important aspect of our business.

I would like to thank the directors, management and staff for their individual contributions to the excellent results achieved by the group during the past year.

The directors have recommended a dividend of 9.4p (2000 : Nil) to be payable to the ultimate parent company, Ward Homes Group Limited.

Housebuilding

The Group completed the sale of 4% fewer houses than the previous year at 320 units, although the average selling price increased to £201,000 from £133,000. As a result turnover increased by 46% to £68.4m. Gross profit increased by £4.6m, (36%) from £12.8m to £17.4m. It was also pleasing to note that the increased turnover did not come at the expense of gross margin, which remained in excess of 23%. Cashflow during the year was extremely strong with a cash inflow from operating activities of £11.3m even after significant expenditure on new sites.

For the first time completions took place from our new region based at Berkhamsted, Hertfordshire. These all came from Castle Village, our Retirement Village which exceeded our expectations, and conveyed 54 units to a value of £13.3m.

Castle Village has now become a community with much use being made of the central clubhouse consisting of the ballroom, bar, restaurant, snooker room and library. The management services provided by Retirement Villages Ltd., our partner, are proving to be an added value to the scheme. With a range of homes priced from £170,000 to £490,000 the village continues to be popular with a wide range of purchasers.

In addition to Castle Village the new region has four other active sites and is forecast to make a significant contribution to group profits in the forthcoming year.

We continue to maintain our strong position in the company's heartland in Kent where 266 completions took place. Throughout Kent the 'Ward' name continues to be recognised for quality, customer service and value for money. The company continues to provide site specific solutions to layouts and house types to maximise the appeal of each development to our customers.

Ward Holdings Limited

Chairman's Statement (continued)

As development becomes more "one-off" requiring individual design the company's long relationship with local authorities and land owners is proving to be a distinct advantage in negotiating our way through a very complex regulatory system.

Land

During the year the land bank increased to 1,100 units. Of note during the year were the acquisition of two significant sites from our option land bank within the Ashford and Swale Districts of Kent. Further additions were also made to our strategic land bank, which we now believe will produce approximately 2,000 units in land through the planning process.

The projected development value of plots held under our ownership with planning permission is in excess of £200m.

Anvil

A 15% increase in turnover to £3.5m over the previous year and a 32% increase in operating profits before exceptional to £417,000 marked a successful operating year.

New investment in plant, improved operating systems, development and training of the staff all helped to contribute to the improved performance.

The Group Board has reviewed the carrying value of the Anvil fixed assets. It concluded that an adjustment should be made which has created an exceptional charge of £276,000 and, for the future, the depreciation policy has also been changed for certain classes of assets.

Since the year-end, the Company has continued to trade at acceptable levels.

Future Prospects

Ward Homes continues to sell homes at a satisfactory rate. The very sad events of September 11th had a short-term negative effect, but sales rapidly returned to the level of the previous year. Historically low interest rates are a major driver in the continued buoyancy of the housing market, complete with the shortage of new homes caused by the planning system.

Planning continues to restrict artificially the output of the new homes industry below the level of demand. The strength of our land bank with planning permission will be a valuable asset over the next period of time. The Government's push to high density brown field sites will also mean that the Company's land bank which is predominantly "green" with detached housing will become a rarer product in the future. It is not widely reported that an effect of PPG3 will be to reduce the industry's output of detached houses from over 50% to below 20% over a few years.

The Company's high calibre of Directors, staff and sub-contractors should enable it to cope with the challenges ahead and continue to produce satisfactory results to shareholders.

P.D. Holliday OBE
Chairman

Ward Holdings Limited

Directors' report

The directors present their annual report and the audited group financial statements for the year ended 31 October 2001.

Principal activities

The group's principal activities are house building and plant hire.

Review of developments and future prospects

Details of the Group's activities during the year under review and of its prospects are included in the Chairman's statement.

Proposed dividend and transfer to reserves

The results for the year are set out in the profit and loss account on page 7. A final dividend of 9.4p per ordinary share amounting to £5,000,000 is to be paid to the ultimate parent company (2000: £nil).

Directors and directors' interests

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

P.D. Holliday O.B.E. (Chairman)
M.R. Lethaby

None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the company.

Mr P.D. Holliday and Mr M.R. Lethaby are directors of the company's ultimate parent company, Ward Homes Group Limited and, accordingly, particulars of their interests in the shares of that company are included in the directors' report of Ward Homes Group Limited.

Employees

The company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitude and abilities.

It is the directors' policy to ensure that continued employment is offered to employees who become temporarily or permanently disabled.

The training, career development and promotion of disabled persons employed by the company is an integral part of the personnel policy applicable to all employees.

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance. During the year, information regarding financial and economic factors affecting the performance of the company and other matters of concern to employees was regularly made available.

Ward Holdings Limited

Directors' report (*continued*)

Creditors Payment Policy

It is the company's policy to pay all invoices from suppliers according to the agreed terms of payment, upon receipt of a valid invoice. The number of days' billings from service suppliers outstanding at the end of the financial year for the company was 41 days.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £nil.

Auditors

A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board



M.R. Lethaby

Secretary

17 January 2002

Ward Holdings Limited

Statement of Directors' Responsibilities

United Kingdom 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 group at the end of that financial year and of the profit or loss of the group for that period. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Ward Holdings Limited

Independent Auditors' Report to the Members of Ward Holdings Limited

We have audited the financial statements of Ward Holdings Ltd for the year ended 31 October 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

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 United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.


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 circumstances of the company and the group, 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 and of the group as at 31 October 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and

Registered Auditors

Hill House

1 Little New Street

London

EC4A 3TR

18 January 2002

Ward Holdings Limited

Consolidated Profit and loss account

for the year ended 31 October 2001

	Note	2001 £'000	2000 £'000
Turnover	2	71,869	49,843
Cost of sales		<u>(54,446)</u>	<u>(37,069)</u>
Gross profit		17,423	12,774
Administrative expenses		<u>(4,888)</u>	<u>(5,291)</u>
Operating profit	2	12,535	7,483
Gain on sale of investment properties		<u>27</u>	<u>30</u>
Profit before interest and taxation		12,562	7,513
Net interest payable	6	<u>(766)</u>	<u>(398)</u>
Profit on ordinary activities before taxation		11,796	7,115
Tax on profit on ordinary activities	7	<u>(3,973)</u>	<u>(395)</u>
Profit for the financial year		7,823	6,720
Dividends payable to ultimate parent company	8	(5,000)	-
Retained profit for the financial year	17	<u>2,823</u>	<u>6,720</u>

All operations are continuing.

The group has no recognised gains or losses in 2001 or 2000 other than those reported in the profit and loss account above.

Note of group historical costs profit and losses

for the year ended 31 October 2001

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation	11,796	7,115
Realisation of property revaluation gains of previous years	96	-
Historical cost profit on ordinary activities before taxation	<u>11,892</u>	<u>7,115</u>
Historical cost profit for the year retained after taxation	<u>7,919</u>	<u>6,720</u>

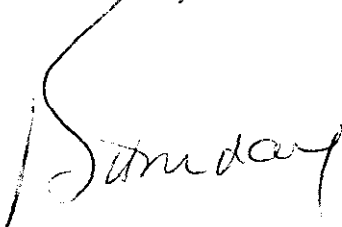
Ward Holdings Limited

Consolidated Balance sheet

as at 31 October 2001

	Note	2001	2000
		£'000	£'000
Fixed assets			
Tangible assets	9	3,648	4,237
Current assets			
Stocks	11	43,550	41,130
Debtors	12	1,123	1,834
Cash at bank and in hand		8,277	45
		<u>52,950</u>	<u>43,009</u>
Creditors: amount falling due within one year	13	<u>(22,097)</u>	<u>(14,635)</u>
Net current assets		<u>30,853</u>	<u>28,374</u>
Total assets less current liabilities		<u>34,501</u>	<u>32,611</u>
Creditors: amount falling due after more than one year	14	(1,110)	(2,238)
Provisions for liabilities and charges	15	(195)	-
Net assets		<u>33,196</u>	<u>30,373</u>
Capital and reserves			
Called up share capital	16	5,317	5,317
Share premium account	17	199	199
Revaluation reserve	17	306	402
Other reserves	17	450	450
Profit and loss account	17	<u>26,924</u>	<u>24,005</u>
Equity shareholders' funds	18	<u>33,196</u>	<u>30,373</u>

These financial statements were approved by the Board of Directors on 17 January 2002 and were signed on its behalf by:



P.D. Holliday O.B.E.

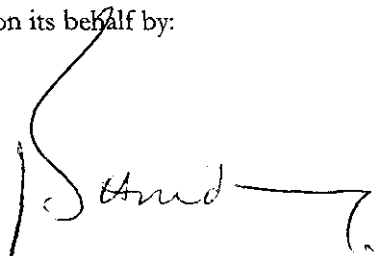
Ward Holdings Limited

Company balance sheet

as at 31 October 2001

	Note	2001	2000
		£'000	£'000
Fixed assets			
Investments	10	2,870	2,870
Current assets			
Debtors	12	10,860	7,085
Cash at bank and in hand		<u>1,079</u>	<u>5,217</u>
		11,939	12,302
Creditors: amount falling due within one year	13	<u>(8,096)</u>	<u>(8,113)</u>
Net current assets		<u>3,843</u>	<u>4,189</u>
Total assets less current liabilities		<u>6,713</u>	<u>7,059</u>
Creditors: amount falling due after more than one year	14	<u>(250)</u>	<u>(700)</u>
Net assets		<u>6,463</u>	<u>6,359</u>
Capital and reserves			
Called up share capital	16	5,317	5,317
Share premium account	17	199	199
Profit and loss account	17	<u>947</u>	<u>843</u>
Equity shareholders' funds	18	<u>6,463</u>	<u>6,359</u>

These financial statements were approved by the Board of Directors on 17 January 2002 and were signed on its behalf by:



P.D. Holliday O.B.E.

Ward Holdings Limited

Consolidated Cash flow Statement for the year ended 31 October 2001

	Note	2001 £'000	2000 £'000
Net cash inflow/(outflow) from operating activities	19	11,269	(5,724)
Returns on investment and servicing of finance			
Interest received		122	86
Interest paid		(888)	(480)
Net cash outflow from returns on investment and servicing of finance		(766)	(394)
Taxation			
UK Corporation tax paid		(454)	(9)
Capital expenditure and financial investment			
Cash element of purchase of subsidiary		-	(32)
Purchase of tangible fixed assets		(182)	(1,281)
Sale of tangible fixed assets		360	486
Net cash inflow/(outflow) from capital expenditure and financial investment		178	(827)
Equity dividends paid		-	(736)
Net cash outflow before use for liquid resources and financing		10,227	(7,690)
Management of liquid resources			
(Increase)/reduction in short term deposits with banks		(4,200)	6,100
Financing			
Issue of share capital		-	243
Capital element of finance lease payments		(620)	(527)
Repayment of deferred consideration		(1,375)	-
Net cash outflow from financing		(1,995)	(284)
Increase/(decrease) in cash in the year	20	4,032	(1,874)

Ward Holdings Limited

Notes to the accounts

Year ended 31 October 2001

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of freehold properties.

Basis of consolidation

The consolidated financial statements incorporate the accounts of the company and all of its subsidiaries made up to 31 October 2001.

Acquisitions

On the acquisition of a business, fair values are attributed to the group's shares of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised and amortised in equal annual instalments over its estimated useful life.

Turnover

The turnover of the group, which excludes intra-group transactions, is made up on the following bases:

- (i) House building represents the gross amounts receivable on the sale of new houses and land where legal completion has taken place by the year end.
- (ii) Property investment and commercial development represents the amounts receivable from sales of commercial and industrial property (excluding investment property), together with the gross rentals receivable.
- (iii) Plant hire and other represents the amounts receivable for goods supplied and plant hired to customers.

Fixed assets and depreciation

No depreciation is provided on freehold land or freehold property held for investment. Other tangible fixed assets are depreciated over the following periods estimated to write off the cost less estimated residual value over the term of their useful life:

Group occupied properties	-	50 years
Leasehold property	-	Over the life of the respective assets
Plant and machinery	-	Over 10 years on cost of plant hire assets or Over 2-5 years on cost of assets purchased outright.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Ward Holdings Limited
Notes to the accounts (continued)
Year ended 31 October 2001

1. Accounting policies (continued)

Pensions costs

Contributions to defined benefit pension schemes are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the remaining service lives of current employees in the schemes. Contributions to defined contribution schemes are charged directly to the profit and loss account.

Stocks

Stocks, land held for development and work in progress are stated at the lower of cost and estimated net realisable value. In respect of work in progress, cost includes labour, materials and relevant overheads. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

2. Turnover

The analysis of turnover by activity, the net assets and profit on ordinary activity before interest and taxation of the associated business segments are shown below. All sales are in the United Kingdom.

	House Building 2001 £'000	House Building 2000 £'000	Plant Hire 2001 £'000	Plant Hire 2000 £'000	Group 2001 £'000	Group 2000 £'000
Turnover						
Total Sales	68,404	46,837	3,647	3,177	72,051	50,014
Inter-segment sales	-	-	(182)	(171)	(182)	(171)
	<u>68,404</u>	<u>46,837</u>	<u>3,465</u>	<u>3,006</u>	<u>71,869</u>	<u>49,843</u>
Operating profit before exceptional items	12,485	7,168	417	315	12,902	7,483
Exceptional items *	-	-	(367)	-	(367)	-
Operating profit after exceptional items	12,485	7,168	50	315	12,535	7,483
Gain on sale of investment properties	27	30	-	-	27	30
Profit on ordinary activities before interest and tax	<u>12,512</u>	<u>7,198</u>	<u>50</u>	<u>315</u>	<u>12,562</u>	<u>7,513</u>
Net assets	<u>31,407</u>	<u>28,239</u>	<u>1,789</u>	<u>2,134</u>	<u>33,196</u>	<u>37,102</u>

* The exceptional items relate to a £276,000 impairment charge arising from the board's review of the carrying value of assets and reorganisation costs of £91,000

Ward Holdings Limited
Notes to the accounts (continued)
Year ended 31 October 2001

3. **Profit on ordinary activities before taxation**

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	1,161	786
Exceptional cost related to buyout	-	971
Profit on sale of Fixed Assets	(38)	(118)
Operating lease charges		
-plant & machinery	173	132
-other	73	82

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial period amounted to £5,103,586.

4. **Remuneration of Directors and Auditors**

Directors' remuneration was borne by the ultimate parent company in the current financial year and disclosed in the accounts of that company. In the preceding financial year the directors' emoluments were £692,000 with pension contributions of £22,000. The emoluments excluding pension contributions of the highest paid director in the previous financial year were £259,892 with pension contributions of £14,600.

Auditors' remuneration was borne by the ultimate parent company in the current financial year (2000: £39,000).

5. **Staff numbers and costs**

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2001	2000
Management	13	9
Administration	28	38
Production and sales	107	106
	<u>148</u>	<u>153</u>

The aggregate payroll costs of these persons were as follows:

	2001 £'000	2000 £'000
Wages and salaries	3,408	3,365
Social Security costs	330	331
Other pension costs (see note 23)	33	64
	<u>3,771</u>	<u>3,760</u>

Ward Holdings Limited
Notes to the accounts (continued)
Year ended 31 October 2001

6. Interest

	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Interest receivable				
On bank deposits	(94)		(86)	
On other deposits	<u>(28)</u>		<u>-</u>	
		(122)		(86)
Interest payable				
Intercompany interest charge	489		-	
On bank loans and overdrafts	253		355	
On finance leases and similar hire purchase contracts	<u>146</u>		<u>129</u>	
		888		484
		<u>766</u>		<u>398</u>

7. Taxation

	2001 £'000	2000 £'000
UK Corporation Tax at 30%(2000: 30%)	3,588	483
Deferred Tax (see note 15)	(75)	-
Adjustment in respect of prior years -		
Corporation tax	190	(88)
Deferred tax	<u>270</u>	<u>-</u>
	<u>3,973</u>	<u>395</u>

8. Dividends

	2001 £'000	2000 £'000
Equity - Ordinary		
Final proposed: 9.4p per £0.10 share	<u>5,000</u>	<u>-</u>

Ward Holdings Limited
Notes to the accounts (continued)
Year ended 31 October 2001

9. **Tangible fixed assets**

	Land and Buildings Freehold Properties			
	Occupied by Group £'000	Held for Investment £'000	Plant and machinery £'000	Total £'000
The Group				
Cost or valuation				
1st November 2000	580	185	6,271	7,036
Additions	-	-	867	867
Disposals	-	(105)	(629)	(734)
<u>Cost or valuation</u>				
31st October 2001	<u>580</u>	<u>80</u>	<u>6,509</u>	<u>7,169</u>
<u>Depreciation</u>				
1st November 2000	12	-	2,787	2,799
Charge for year	12	-	1,149	1,161
On disposals	-	-	(439)	(439)
<u>Depreciation</u>				
31st October 2001	<u>24</u>	<u>-</u>	<u>3,497</u>	<u>3,521</u>
Net book value				
At 31st October 2001	<u>556</u>	<u>80</u>	<u>3,012</u>	<u>3,648</u>
At 31 October 2000	<u>568</u>	<u>185</u>	<u>3,484</u>	<u>4,237</u>

Included in plant and machinery are assets held under hire purchase contracts with a cost of £3,051,923 (2000: £2,744,823) and accumulated depreciation of £982,235 (2000: £718,517) of which £444,883 (2000 : £264,405) was charged in the year.

The group's freehold properties include assets held at directors' valuation (which is reviewed annually) on the basis of existing use. If land and buildings had not been revalued, they would have been included at a cost of £630,733 with depreciation of £24,000.

10. **Investments**

	2001 £'000	2000 £'000
Net book value of investment in group undertakings	<u>2,870</u>	<u>2,870</u>

Ward Holdings Limited
Notes to the accounts (continued)
Year ended 31 October 2001

Subsidiary undertakings are as follows:

Subsidiary undertakings	Country of incorporation and operation	Activity	Proportion of ordinary shares held
Ward Homes Limited	England and Wales	Housebuilding	100%
Ward Brothers (Gillingham) Limited	England and Wales	Builder's Merchants	100%
Anvil Plant Hire Limited	England and Wales	Plant Hire	100%
Ward Construction (Investments) Limited	England and Wales	Industrial/commercial property development	100%
Ward Homes (South Eastern) Limited	England and Wales	Housebuilding	100%
City Farms Investments Limited	England and Wales	Dormant	100%
Ward Homes (London) Limited	England and Wales	Housebuilding	100%
Ward Homes Anglia Limited†	England and Wales	Housebuilding	100%
Ward Construction (Industrial) Limited†	England and Wales	Property Trading	100%
Affordable Housing Co. Limited	England and Wales	Dormant	100%
Ward Country Houses Limited	England and Wales	Dormant	100%
Ward Insurance Services Limited	England and Wales	Insurance	100%
Castle Village Limited	England and Wales	Housebuilding	100%
Castle Village Investments Limited	England and Wales	Housebuilding	100%
Ward (Showhomes) Limited	England and Wales	Housebuilding	100%

† held indirectly

11. **Stocks**

	2001 £'000	2000 £'000
The Group		
Land	26,618	21,175
Raw materials and consumables	166	194
Work in progress		
Housebuilding and Commercial	16,687	19,661
Finished goods and goods for resale		
Plant Hire	79	100
	<u>43,550</u>	<u>41,130</u>

12. **Debtors**

	The Group		The Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	693	676	-	-
Amounts owed by group undertakings	-	-	10,860	7,084
Other debtors	380	371	-	1
Corporation taxation recoverable	-	717	-	-
Prepayments and accrued income	50	70	-	-
	<u>1,123</u>	<u>1,834</u>	<u>10,860</u>	<u>7,085</u>

Ward Holdings Limited
Notes to the accounts (continued)
Year ended 31 October 2001

13. Creditors: amounts falling due within one year

	The Group		The Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade creditors	4,439	3,949	-	-
Amounts owed to group undertakings	2,041	2,878	1,987	6,691
Obligations under finance leases and hire purchase contracts	519	476	-	-
Corporation Tax Payable	2,607	-	-	-
Other taxes and social security	65	362	3	-
Other creditors	568	38	-	-
Deferred consideration	1,175	1,400	475	700
Accruals and deferred income	5,683	5,532	631	722
Proposed dividend	5,000	-	5,000	-
	22,097	14,635	8,096	8,113

14. Creditors: Amounts falling due after more than one year

	The Group		The Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Deferred consideration (due between one and two years)	250	1,400	250	700
Obligations under finance leases and hire purchase contracts due in two to five years	860	838	-	-
	1,110	2,238	250	700

The deferred consideration loan notes are interest free.

15. Provision for liabilities and charges
Deferred taxation

	Group Provided	Group Provided	Group Not provided	Group Not provided
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	(195)	-	-	(280)
Other timing differences	-	-	1,750	2,177
	(195)	-	1,750	1,897
	Company Provided	Company Provided	Company Not provided	Company Not provided
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	-	-	-	-
Other timing differences	-	-	69	99
	-	-	69	99

Ward Holdings Limited
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Year ended 31 October 2001

16. Share capital

	2001 £'000	2000 £'000
<i>Authorised</i>		
70,000,000 Ordinary shares of 10p each	<u>7,000</u>	<u>7,000</u>
<i>Allotted, called up and fully paid</i>		
53,172,108 Ordinary shares of 10p each	<u>5,317</u>	<u>5,317</u>

17. Reserves

	Revaluation Reserve	Other Reserve	Group and company Share premium account	Group Profit and Loss Account	Company Profit and loss account
	£'000	£'000	£'000	£'000	£'000
31 October 2000	402	450	199	24,005	843
Retained profit for the financial year	-	-	-	2,823	104
Disposal in year	(96)	-	-	96	-
31 October 2001	<u>306</u>	<u>450</u>	<u>199</u>	<u>26,924</u>	<u>947</u>

18. Reconciliation of movements in Shareholders' funds

	The Group		The Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Profit for the financial year	2,823	6,720	104	(2,751)
New share capital subscribed	-	243	-	243
Opening shareholders' funds	30,373	23,410	6,359	8,867
Closing Shareholders' funds	<u>33,196</u>	<u>30,373</u>	<u>6,463</u>	<u>6,359</u>

19. Reconciliation of operating profit to net cash inflow from operating activities

	2001 £'000	2000 £'000
Operating profit	12,535	7,483
Depreciation charges	1,161	786
Profit on sale of tangible fixed assets	(38)	(106)
Increase in stocks	(2,420)	(21,199)
Increase in debtors	(6)	(19)
Increase in creditors	37	7,331
Net cash inflow/(outflow) from operating activities	<u>11,269</u>	<u>(5,724)</u>

Ward Holdings Limited
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Year ended 31 October 2001

20. **Analysis of net debt**

	At 31 October 2000	Cash Flow	Other Non cash Changes	At 31 October 2001
	£'000	£'000	£'000	£'000
Cash at bank and in hand/debt	(1,855)	4,032	-	2,177
Short term deposits	1,900	4,200	-	6,100
	45	8,232	-	8,277
Debt due within one year	(1,400)	1,375	(1,150)	(1,175)
Debt due after one year	(1,400)	-	1,150	(250)
Finance leases	(1,314)	620	(685)	(1,379)
Total	(4,069)	10,227	(685)	5,473

21. **Reconciliation of net cash flow to movement in net debt**

	2001 £'000	2000 £'000
Increase/(decrease) in cash in the period	4,032	(1,874)
Cash outflow from decrease in debt and lease financing	1,995	527
Increase/(decrease) in liquid resources	4,200	(6,100)
Change in net debt resulting from cash flows	10,227	(7,447)
Finance leases and deferred consideration acquired with subsidiaries	-	(2,800)
New finance leases	(685)	(775)
Movement in net debt in the period	9,542	(11,022)
Net (debt)/cash on 1st November	(4,069)	6,953
Net cash/(debt) on 31st October	5,473	(4,069)

22. **Contingent liabilities**

The company is party to a multilateral guarantee secured by fixed and floating charges in respect of amounts due on bank loans and overdrafts by Ward Homes Group Limited and its subsidiaries up to a maximum of £43.6m of which £30.6m was outstanding as at 31 October 2001.

The company also guarantees obligations under operating leases for two subsidiary companies, Ward Homes Limited and Anvil Plant Hire Limited.

Contingent liabilities in respect of performance bonds totalled £231,309 at 31 October 2001 (2000: £231,909).

The company has also promoted an interest only guarantee for one of its subsidiaries. During the year the total interest payable under the facility was £14,606.

Ward Holdings Limited
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Year ended 31 October 2001

23. Pension Scheme

The Ward Holdings Limited Pension and Life Assurance Scheme was restructured in April 1993.

In respect of service from that date the scheme now operates as a funded contribution scheme. For service to that date, benefits are provided on a funded defined benefit basis. The scheme is administered by trustees who are independent of the Group's finances and the contributions payable are age related. The scheme is being wound up with effect from 31 October 2000. The deficit has been fully provided in the group's accounts.

The Group currently accounts for pensions under SSAP 24. Under the transitional arrangements for FRS 17, the Group is required to provide additional disclosures relating to the Ward Holdings PLC Pension and Life Assurance Scheme. These are provided below:

The most recent actuarial valuation of the defined benefit part of this scheme was at July 1999 and this indicated that the Scheme's assets of £1,890,500 exceeded the liabilities of the fund at that date equivalent to a funding level of 110%. The assumption which has the most significant effect on the results of the valuation is that relating to the rate of return on investments. It was assumed that the return would be equivalent to a rate of interest of 9 per cent per annum. Valuing the liabilities on the statutory Minimum Funding Requirements (MFR) basis, there is a shortfall of £266,596. This shortfall will be supported prior to the statutory date.

FRS 17 – Retirement Benefits

The figures overleaf have been based on an actuarial assessment of the scheme liabilities as at 31 October 2001 performed by independent actuaries.

The assets in the scheme and the expected rate of return were:

Asset	Long term rate of return expected at 31 October 2001	Value at 31 October 2001 £'000
Equities	7.0%	1,060
Bonds	5.5%	304
Other	5.2%	96
Total		<u>1,460</u>

The asset value has been calculated at 31 October 2001, based on the asset value at 30 June 2000 updated to allow for known investment returns on the Capital Guaranteed Fund and actual movements in unit prices of the Trustee Investment Plan. The asset split shown above is based on the asset split at 30 June 2000 and excludes the value of the pensions in payment that are included in the fair value of assets below.

The liabilities of the scheme at 31 October 2001 were calculated on the following bases as required under FRS 17:

Assumptions at 31 October 2001	
Discount rate	5.50%
Rate of increase in salaries	Not applicable
Rate of increase in pensions in payment	3.00%
Rate of increase in pensions in deferment	2.40%
Inflation assumption	2.40%

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The balance sheet position for the scheme as calculated under FRS17 at 31 October 2001 was as follows:

	£'000
Fair value of assets	1,725
Present value of scheme liabilities	(2,208)
Surplus or (deficit) in the scheme	<u>(483)</u>
Related deferred tax asset (at 30%)	145
Net pension liability	<u>(338)</u>

Had the company adopted FRS 17 early, Group profit and loss reserves would have been stated as follows:

	£'000
Profit and loss reserve in the financial statements as at 31 October 2001	26,924
Net pension liability under FRS 17 as disclosed above	(338)
Deficit in relation to the Ward Homes pension scheme included within accruals (net of deferred tax at 30%)	323
Profit and loss reserve as adjusted	<u>26,909</u>

The group also operates an insured defined contribution scheme for which the pension charge for the year under review was £33,359 (2000 £64,495).

24. Operating lease commitments

At 31 October 2001 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £'000	Other £'000	Total £'000
Leases which expire:			
Within one year	-	-	-
Within two to five years	31	281	312
Greater than five years	79	-	79
	<u>110</u>	<u>281</u>	<u>391</u>

25. Ultimate Parent Company

The Company is a subsidiary undertaking of Ward Homes Group Limited registered in England and Wales, for which group financial statements are drawn up and of which the company is a member. The ultimate controlling parties are the Phildrew Ventures Fifth Fund LP, the Phildrew Ventures Fifth Fund B LP and Phildrew 2000 LP, who, in aggregate control over 50% of the voting rights of Ward Homes Group Limited.

Copies of the group financial statements can be obtained from 2 Ash Tree Lane, Chatham, Kent.

26. Statement on Related Party Transactions

The Company is exempt from the requirements of the Financial Reporting Standard 8 ("Related Party Disclosures") insofar as it refers to transactions with fellow Group companies, as it is a wholly-owned subsidiary of Ward Homes Group Limited.