

WARD HOLDINGS LIMITED

Directors' report and financial statements

31 October 2000

Registered Number: 300534



Ward Holdings Limited

Directors' report and financial statements

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Ward Holdings Limited

Chairman's Statement

Management Buyout

The year 2000 was one of tremendous change for Ward Holdings PLC as after 26 years as a company listed on the London Stock Exchange it returned to the Private Sector. This was part of a management buyout whereby the entire share capital of the company was acquired by a newly incorporated company, Kealoha Limited, which is owned by funds advised by Phildrew Ventures (now UBS Capital) and the management. The offer went unconditional on 11th July 2000 following which Ward Holdings PLC de-listed and changed its name to Ward Holdings Limited.

Board Re-organisation

The management buyout also saw the departure of two long-standing board members, Denis Ward the Chairman of the company since its listing in 1972 and Graeme Wall the Sales & Marketing Director. Mr Ward spent his entire working life with the Ward Group of companies making a tremendous contribution to the success of the business over the last 50 years. The two Non-Executive Directors Mr Michael Allsop and Mr Bill Gair also retired at completion of the buyout. Our thanks go to Michael & Bill for their wisdom and help during their 2 year period on the Board.

Group Overview

Despite the disruption and pressure caused by the management buyout the Group produced an excellent result for the year increasing pre-tax profits to £7.1m (1999: £5.8m). The increase in pre-exceptional profit was in fact even higher as there was a £1.4m exceptional profit in 1999. Excluding this, pre-tax and pre-exceptional profits increased by £2.7m (61%) from £4.4m to £7.1m. Group turnover for the year increased by 41% from £35.4m to £49.8m.

Housebuilding

Result

Turnover within the housebuilding division increased by 41% from £33.2m to £46.8m. This was based in the sale of 333 homes (1999:256) with an average sales price of £133k (1999: £113k). Operating profit before exceptional items more than doubled from £3.4m to £7.1m.

Return on Capital Employed improved from 21% to 23% and operating margins from 11% to 17%.

Ward Holdings Limited

Chairman's Statement (continued)

Land and Planning

The momentum for site openings started in 1999 continued throughout the year with a further 16 new developments starting. In total the development team achieved planning permission for 600 units.

285 new plots were acquired during the year, which was lower than the previous year. This is consistent with the Group's policy of concentration on higher value executive homes. As a result, average sales prices are likely to rise significantly in the following year. The Companies option land bank continues to provide a significant proportion of the land the Company builds on. The option land bank has been increased during the year and now comprises 400 acres.

The most exciting land purchase was that of Castle Village in November 1999 for a 140-unit Retirement Village in Berkhamsted next to the Golf Club. The village is based around a refurbished Mansion House housing the central facilities of bar, restaurant snooker room and medical facilities. The village is designed for the over 55's and to date sales are exceeding our expectations.

Regional Expansion

During the year a new regional office was opened at Berkhamsted in Hertfordshire. This services the Castle Village development mentioned above and in addition has acquired two further sites for executive homes at Houghton Conquest and Chesham. The opening of this office will increase the market coverage of the company throughout the SouthEast.

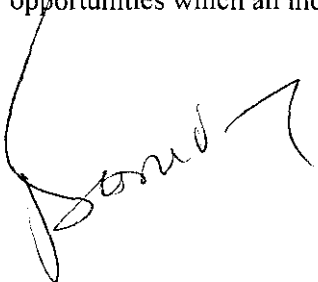
Anvil Plant Hire Limited

Although turnover within Anvil increased by £260k profits before tax and interest were lower due to the cost of a significant refurbishment programme within the depots.

Future Prospects

Whilst there has been talk of a slow down in the housing market it is pleasing to report that we entered the new financial year with 33% of our planned unit sales for the year being reserved or exchanged. A good land bank with a flow of option sites, which we expect to convert into full planning permission over the coming years leads us to view the future with cautious optimism.

Any change puts enhanced pressure on staff and a management buyout is no exception. The staff have responded well to the change and are rising to the new challenges as we embrace the opportunities which an industry creates when it is changing as rapidly as the new homes industry is.



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 2000.

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. The directors do not recommend the payment of a dividend (1999 - £1,130,000).

Directors and directors' interests

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

P.D. Holliday O.B.E.	(Chairman)
D. J. Ward	(Resigned 11 July 2000)
G.A. Wall	(Resigned 11 July 2000)
M.R. Lethaby	
M.V.F. Allsop	(Resigned 11 July 2000)
W.C. Gair	(Resigned 11 July 2000)

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

Mr P.D. Holliday and Mr M.R. Lethaby are directors of the company's 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 44 days.

Political and charitable contributions

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

Auditors

KPMG Audit Plc resigned as auditors on 5 October 2000. Deloitte & Touche were appointed to fill the casual vacancy and have indicated their willingness to continue in office as auditors. Accordingly, a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



M.R. Lethaby

Secretary

20 February 2001

Ward Holdings Limited

Statement of 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 at the end of that financial year and of the profit or loss 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 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 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

Report of the auditors to the members of Ward Holdings Limited

We have audited the financial statements on pages 7 to 21, which have been prepared under the accounting policies set out in pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 of 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 2000 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

Deloitte & Touche
Chartered Accountants and
Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

20 February 2001

Ward Holdings Limited

Consolidated Profit and loss account

for the year ended 31 October 2000.

	Note	2000 £'000	1999 £'000
Turnover	3	49,843	35,432
Cost of sales			
Cost of sales before exceptionals		(37,069)	(27,677)
Exceptional cost of sales		-	1,405
		(37,069)	(26,272)
Gross profit		12,774	9,160
Administrative expenses		(5,291)	(3,950)
Operating profit	4	7,483	5,210
Profit on sale of investment properties		30	255
Net interest payable/(receivable)	7	(398)	340
Profit on ordinary activities before taxation		7,115	5,805
Tax on profit on ordinary activities	8	(395)	(93)
Profit/(loss) for the financial year		6,720	5,712
Dividends paid and proposed		-	(1,130)
Retained profit for the year		6,720	4,582
Transferred from revaluation reserve		-	832
Retained profit brought forward		17,285	11,871
Retained profit carried forward		24,005	17,285

All operations are continuing.

The company has no recognised gains or losses in 2000 or 1999 other than those reported in the profit and loss account above.

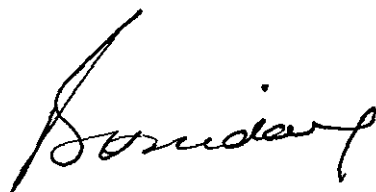
Ward Holdings Limited

Consolidated Balance sheet

as at 31 October 2000

	Note	2000	1999
		£'000	£'000
Fixed assets	9	4,237	3,317
Current assets			
Stocks	11	41,130	19,931
Debtors	12	1,834	1,643
Cash at bank and in hand		45	8,019
		<u>43,009</u>	<u>29,593</u>
Creditors: amount falling due within one year	13	(14,635)	(8,828)
Net current assets		28,374	20,765
Total assets less current liabilities		32,611	24,082
Creditors: amount falling due after more than one year	14	(2,238)	(672)
Net assets		30,373	23,410
Capital and reserves			
Called up share capital	16	5,317	5,257
Share premium account	17	199	16
Revaluation reserve		402	402
Other reserves		450	450
Profit and loss account		24,005	17,285
Equity shareholders' funds	21	30,373	23,410

These financial statements were approved by the Board of Directors on 20 February 2001 and were signed on its behalf by:



P.D. Holliday O.B.E.

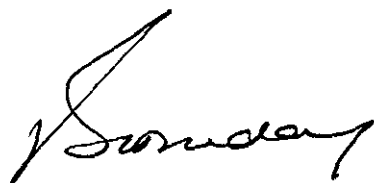
Ward Holdings Limited

Company balance sheet

as at 31 October 2000

	Note	2000	1999
		£'000	£'000
Fixed assets			
Investments	10	2,870	945
Current assets			
Debtors	12	7,085	2,081
Cash at bank and in hand		5,217	8,656
		<u>12,302</u>	<u>10,737</u>
Creditors: amount falling due within one year	13	<u>(8,113)</u>	<u>(2,815)</u>
Net current assets		<u>4,189</u>	<u>7,922</u>
Total assets less current liabilities		7,059	8,867
Creditors: amount falling due after more than one year	14	<u>(700)</u>	<u>-</u>
Net assets		<u>6,359</u>	<u>8,867</u>
Capital and reserves			
Called up share capital	16	5,317	5,257
Share premium account	17	199	16
Profit and loss account	17	843	3,594
Equity shareholders' funds	21	<u>6,359</u>	<u>8,867</u>

These financial statements were approved by the Board of Directors on 20 February 2001 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 2000

	Note	2000 £'000	1999 £'000
Net cash (outflow) from operating activities	18	(5,724)	(165)
Returns on investment and servicing of finance			
Interest received		86	524
Interest paid		<u>(480)</u>	<u>(165)</u>
Net cash (outflow)/inflow from returns on investment and servicing of finance		(394)	359
Taxation			
UK Corporation tax paid		(9)	(59)
Capital expenditure and financial investment			
Cash element of purchase of subsidiary		(32)	-
Purchase of tangible fixed assets		(1,281)	(546)
Sale of tangible fixed assets		<u>486</u>	<u>945</u>
Net cash inflow from capital expenditure and financial investment		(827)	399
Equity dividends paid		(736)	(920)
Net cash outflow before use for liquid resources and financing		<u>(7,690)</u>	<u>(386)</u>
Management of liquid resources			
Amounts released from short term deposit		6,100	600
Financing			
Issue of share capital		243	-
Capital element of finance lease payments		(527)	(386)
	19	<u>(1,874)</u>	<u>(172)</u>

Ward Holdings Limited

Notes to the accounts

Year ended 31 October 2000

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.

Basis of consolidation

The consolidated financial statements incorporate the accounts of the company and all of its subsidiaries made up to 31 October 2000.

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 2000

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. Acquisitions and goodwill

The entire issued share capital of Castle Village Limited was acquired on 2 November 1999 for consideration of £1,432,438, which was satisfied by the issue of £1,400,000 of Ward Holdings loan notes and £32,438 payable in cash. In addition at completion Castle Village Limited had £7,063,119 of loans outstanding of which £5,663,119 was repaid on completion. The remaining £1,400,000 takes the form of Castle Village Limited loan notes which were guaranteed by Ward Holdings from completion. The acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition is £Nil.

The following table explains the adjustments made to the book value of the major categories of assets and liabilities acquired to arrive at the provisional fair values included in the consolidated financial statements at the date of acquisition.

	Book amount £'000	Revaluation £'000	Fair value to the Group £'000
Current assets			
Stock	6,682	1,912	8,594
Debtors	105	-	105
Liabilities			
Creditors	(204)	-	(204)
Loans	(7,063)	-	(7,063)
	<u>(480)</u>	<u>1,912</u>	<u>1,432</u>
Goodwill			<u>-</u>
			<u>1,432</u>
Consideration:			
Ward Holdings loan notes			1,400
Cash			32
			<u>1,432</u>

Ward Holdings Limited

Notes to the accounts (continued)

Year ended 31 October 2000

3. Turnover

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

	House Building 2000 £'000	House Building 1999 £'000	Plant Hire 2000 £'000	Plant Hire 1999 £'000	Group 2000 £'000	Group 1999 £'000
Turnover						
Total Sales	46,837	33,248	3,177	2,917	50,014	36,165
Inter-segment sales	-	(637)	(171)	(96)	(171)	(733)
	<u>46,837</u>	<u>32,611</u>	<u>3,006</u>	<u>2,821</u>	<u>49,843</u>	<u>35,432</u>
Operating profit before exceptional items	7,168	3,392	315	413	7,483	3,805
Exceptional items	-	1,405	-	-	-	1,405
Profit on sale of investment properties	<u>30</u>	<u>255</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>255</u>
Profit on ordinary activities before interest and tax	<u>7,198</u>	<u>5,052</u>	<u>315</u>	<u>413</u>	<u>7,513</u>	<u>5,465</u>
Net assets	<u>28,239</u>	<u>21,519</u>	<u>2,134</u>	<u>1,891</u>	<u>37,102</u>	<u>23,410</u>

4. Profit on ordinary activities before taxation

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
Audit services	39	51
Other services	-	98
Depreciation	786	587
Exceptional gain	-	(1,405)
Exceptional cost re buyout	<u>971</u>	<u>-</u>

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 loss for the financial period amounted to £2,751,000.

Ward Holdings Limited

Notes to the accounts (continued)

Year ended 31 October 2000

5. Directors' emoluments

	2000 £'000	1999 £'000
Directors' emoluments:	692	483
Pension contributions	22	30

The emoluments, excluding pension contributions, of the highest paid director were £259,892 (1999: £208,820). The pension contributions of the highest paid Director were £14,600 (1999: £27,180)

6. Staff numbers and costs

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

	Number of employees	
	2000	1999
Management	9	11
Administration	38	48
Production and sales	106	87
	153	146

The aggregate payroll costs of these persons were as follows:

	2000 £'000	1999 £'000
Wages and salaries	2,671	3,188
Social Security costs	261	306
Other pension costs (see note 17)	46	99
	2,978	3,593

7. Interest

	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Interest receivable				
On bank deposits		(86)		(524)
Interest payable				
On bank loans and overdrafts	355		96	
On finance leases and similar hire purchase contracts	129		88	
		484		184
		398		(340)

Ward Holdings Limited

Notes to the accounts (continued)

Year ended 31 October 2000

8. Taxation

	2000 £'000	1999 £'000
UK Corporation Tax at 30%(1999: 31%)	483	88
Adjustment in respect of prior years	(88)	5
	<u>395</u>	<u>93</u>

The tax charge is disproportionately lower due to the availability of prior year losses.

9. Tangible fixed assets

	Land and Buildings Freehold Properties		Plant and machinery	Total
	Occupied by Group £'000	Held for Investment £'000	£'000	£'000
The Group				
Cost or valuation 1 st November 1999	580	215	5,626	6,421
Additions	-	-	2,056	2,056
Disposals	-	(30)	(1,135)	(1,165)
Cost or valuation 31 st October 2000	<u>580</u>	<u>185</u>	<u>6,271</u>	<u>7,312</u>
Depreciation 1 st November 1999	-	-	3,104	3,104
Charge for year	12	-	774	786
On disposals	-	-	(815)	(815)
Depreciation 31 st October 2000	<u>(12)</u>	<u>-</u>	<u>(3,063)</u>	<u>(3,075)</u>
Net book value				
At 31 st October 2000	<u>568</u>	<u>185</u>	<u>3,484</u>	<u>4,237</u>
At 31 October 1999	580	215	2,522	3,317

Ward Holdings Limited

Notes to the accounts (continued)

Year ended 31 October 2000

10. Investments

	2000 £'000	1999 £'000
Net book value of investment in group undertakings	<u>2,870</u>	<u>945</u>

The movement in the year relates to the original acquisition of Castle Village Limited on 2 November 1999, as shown in note 2, and subscription for additional shares on 5 October 2000.

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%

† held indirectly

11. Stocks

	2000 £'000	1999 £'000
The Group		
Land	21,175	10,620
Raw materials and consumables		
Housebuilding and Commercial	151	123
Plant Hire	<u>43</u>	<u>54</u>
Work in progress		
Housebuilding and Commercial	19,961	9,006
Finished goods and goods for resale		
Plant Hire	100	128
	<u>41,130</u>	<u>19,931</u>

Ward Holdings Limited

Notes to the accounts (continued)

Year ended 31 October 2000

12. Debtors

	The Group		The Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Trade debtors	676	767	-	-
Amounts owed by group undertakings	-	-	7,084	2,080
Other debtors	371	42	1	-
Corporation taxation recoverable	717	545	-	1
Prepayments and accrued income	70	289	-	-
	<u>1,834</u>	<u>1,643</u>	<u>7,085</u>	<u>2,081</u>

13. Creditors: amounts falling due within one year

	The Group		The Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Trade creditors	3,949	2,582	-	-
Amounts owed to group undertakings	2,878	-	6,691	1,442
Obligations under finance leases and hire purchase contracts	476	394	-	-
Proposed dividend	-	736	-	736
Other taxes and social security	362	110	-	-
Other creditors	38	181	-	-
Deferred consideration	1,400	-	700	-
Accruals and deferred income	5,532	4,825	722	637
	<u>14,635</u>	<u>8,828</u>	<u>8,113</u>	<u>2,815</u>

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

	The Group		The Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Deferred consideration	1,400	-	700	-
Obligations under finance leases and hire purchase contracts due in two to five years	838	672	-	-
	<u>2,238</u>	<u>672</u>	<u>700</u>	<u>-</u>

15. Deferred taxation

No provision for deferred taxation has been made; the deferred tax assets not provided in the accounts are as follows:

	Group Not provided 2000 £'000	Company Not provided 2000 £'000
Capital allowances in advance of depreciation	(280)	-
Other timing differences	2,177	99
	<u>1,897</u>	<u>99</u>

Ward Holdings Limited

Notes to the accounts (continued)

Year ended 31 October 2000

16. Share capital

	2000 £'000	1999 £'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 (1999 52,573,336)	<u>5,317</u>	<u>5,257</u>

Allotted share capital has increased due to the exercise of options for cash, prior to the acquisition of the company.

17. Reserves

	Group and company Share premium account £'000	Company Profit and loss account £'000
31 October 1999	16	3,594
Retained loss for the financial year	-	(2,751)
Premium on shares issued during the year	<u>183</u>	<u>-</u>
31 October 2000	<u>199</u>	<u>843</u>

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

	2000 £'000	1999 £'000
Operating profit	7,483	5,210
Depreciation charges	786	587
Profit on sale of tangible fixed assets	(106)	(43)
(Increase) in stocks	(21,199)	(3,512)
(Increase)/decrease in debtors	(19)	26
Increase/(decrease) in creditors	<u>7,331</u>	<u>(2,433)</u>
Net cash inflow from operating activities	<u>(5,724)</u>	<u>(165)</u>

Ward Holdings Limited

Notes to the accounts (continued)

Year ended 31 October 2000

19. Analysis of net debt

	At 31 October 1999	Cash Flow	Acquisition (excluding cash and overdrafts)	Inception of finance lease contracts	At 31 October 2000
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand/debt	19	(1,874)			(1,855)
Short term deposits	8,000	(6,100)			1,900
	8,019	(7,974)			45
Debt due within one year	-		(1,400)		(1,400)
Debt due after one year			(1,400)		(1,400)
Finance leases	(1,066)	527		(775)	(1,314)
Total	6,953	(7,447)	(2,800)	(775)	(4,069)

20. Reconciliation of net cash flow to movement in net debt

	2000 £'000	1999 £'000
Decrease in cash in the period	(1,874)	(172)
Cash inflow from increase in debt and lease financing	527	210
Increase/(decrease) in liquid resources	(6,100)	(600)
Change in net debt resulting from cash flows	(7,447)	(562)
Finance leases and deferred consideration acquired with subsidiaries	(2,800)	-
New finance leases	(775)	-
Movement in net debt in the period	(11,022)	(562)
Net cash on 1 st November	6,953	7,515
Net (debt)/cash on 31 st October	(4,069)	6,953

21. Reconciliation of movements in Shareholders' funds

	The Group		The Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Profit for the financial year	6,720	4,582	(2,751)	770
New share capital subscribed	243		243	
Opening shareholders' funds	23,410	18,828	8,867	8,097
Closing Shareholders' funds	30,373	23,410	6,359	8,867

Ward Holdings Limited
Notes to the accounts (continued)
Year ended 31 October 2000

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 £44.1m of which £34.4m was outstanding as at 31 October 2000.

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 2000 (1999: £ 205,389).

23. Pension Scheme

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

In respect of service from that date the Scheme now operates as a funded defined 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 most recent actuarial valuation of the defined benefit part of this scheme was at 1 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.

The pension charge under the defined contribution scheme for the year was £37,595. (1999 £37,661)

The group also operates an insured defined contribution scheme for which the pension charge for the year under review was £30,954. (1999 £33,562)

24. Operating lease commitments

At 31 October 2000 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	14	-	14
Within two to five years	9	211	220
	<u>23</u>	<u>211</u>	<u>234</u>

Ward Holdings Limited

Notes to the accounts *(continued)*

Year ended 31 October 2000

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.