

Ward Homes Limited

Directors' report and financial statements

31 October 2000

Registered Number: 329622



Wards Homes Limited

Directors' report and financial statements

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Ward Homes Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2000.

Principal activities

The principal activity of the company is house building and related activities.

Review of the year

Turnover increased by £17,135,179 (59%) to £45,945,290. This was based on the sale of 333 houses with an average selling price of £133k.

Pre-tax profits increased to £8,364,073 (1999: £5,180,288). The increase in pre-exceptional profit was in fact even higher as there was a £1,404,982 exceptional profit in 1999. Excluding this, pre-tax and pre-exceptional profits increased by £4,588,767 (122%) from £3,775,306 to £8,364,073.

Proposed dividend and transfer to reserves

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (1999: £nil).

The profit for the year to be transferred to reserves is £7,572,061 (1999: £4,974,034).

Directors and directors' interests

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

P.D. Holliday O.B.E.	(Chairman)
J.M. Williams	
D.J. Ward	(Resigned 11 July 2000)
R.D.K. Terry	
M.D. Drury	
R.C. Green	
J.J. Trotter	
F.T. Watkins	
M.R. Lethaby	
G.A. Wall	(Resigned 11 July 2000)
J. Burnell	(Appointed 31 July 2000)

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, Mr M.J. Williams 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.

Ward Homes Limited

Directors' report (*continued*)

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.

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 £1,851. (1999: £690)

Auditor's

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 Homes 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 as at the end of the 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.

Wards Homes Limited

Report of the auditors to the members of Ward Homes Limited

We have audited the financial statements on pages 5 to 13, which have been prepared under the accounting policies set out on page 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 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.

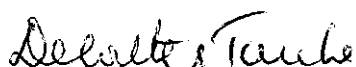
Basis of opinion

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2000 and of its profit 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

20 February 2001

Ward Homes Limited

Profit and loss account

for the year ended 31 October 2000

	Note	2000 £	1999 £
Turnover	1	45,945,290	28,810,111
Cost of sales			
Cost of sales before exceptional items		(35,156,880)	(23,122,986)
Exceptional cost of sales	2	-	1,404,982
		<u>(35,156,880)</u>	<u>(21,718,004)</u>
Gross profit		10,788,410	7,092,107
Administrative expenses		<u>(2,212,358)</u>	<u>(2,105,830)</u>
Operating profit		8,576,052	4,986,277
Interest receivable and similar income	5	4,153	228,566
Interest payable and similar charges	6	<u>(216,132)</u>	<u>(34,555)</u>
Profit on ordinary activities before taxation	2-4	8,364,073	5,180,288
Tax charge on profit on ordinary activities	7	<u>(792,012)</u>	<u>(206,254)</u>
Profit for the financial year		7,572,061	4,974,034
Retained profit brought forward		<u>10,049,912</u>	<u>5,075,878</u>
Retained profit carried forward		<u>17,621,973</u>	<u>10,049,912</u>

All operations are continuing.

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

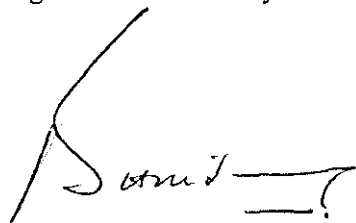
Ward Homes Limited

Balance sheet

as at 31 October 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	8	343,694	362,426
Current assets			
Stocks	9	24,436,603	19,062,920
Debtors	10	9,906,538	1,096,007
Cash at bank and in hand		-	-
		<u>34,343,141</u>	<u>20,158,927</u>
Creditors: amount falling due within one year	11	<u>(16,897,475)</u>	<u>(10,298,163)</u>
Net current assets		<u>17,445,666</u>	<u>9,860,764</u>
Total assets less current liabilities			<u>10,223,190</u>
Creditors: amount falling due after more than one year	12	<u>-</u>	<u>(5,891)</u>
Net assets		<u>17,789,360</u>	<u>10,217,299</u>
Capital and reserves			
Called up share capital	14	147,965	147,965
Share premium account		19,422	19,422
Profit and loss account		<u>17,621,973</u>	<u>10,049,912</u>
Equity shareholders' funds	15	<u>17,789,360</u>	<u>10,217,299</u>

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



P.D. Holliday O.B.E.

Ward Homes 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.

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and Machinery	-	4 – 5 years
Fixtures and Fittings	-	2 – 5 years
Computer Equipment	-	2 – 3 years

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.

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 and work in progress are stated at the lower of cost and estimated net realisable value. In respect of work in progress, costs include labour, materials and relevant overheads. Land held for development is valued on a site by site basis at the lower of cost and net realisable value.

Ward Homes Limited

Notes to the accounts (continued)

Year ended 31 October 2000

1. Accounting policies (continued)

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts receivable on the sale of own constructed houses and land. All turnover arose within the United Kingdom. Credit is taken for profit on house sales on the date at which the legal title to the property is transferred.

2. Profit on ordinary activities before taxation.

	2000 £	1999 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Settlement of legal dispute	-	(1,404,982)
Auditors' remuneration:		
Audit services	-	30,000
Other services	-	19,618
Depreciation	170,155	153,731
Loss/(profit) on sale of fixed assets	<u>5,963</u>	<u>(18,021)</u>

Auditors' remuneration in the current year was borne by another group company.

3. Directors' emoluments

	2000 £	1999 £
Directors' emoluments:	<u>518,188</u>	<u>391,743</u>

The emoluments, excluding pension contributions, of the highest paid director were £104,416 (1999: £69,491). The number of directors who are members of the defined contribution schemes is 6 (1999: 6).

Ward Homes Limited

Notes to the accounts (continued)

Year ended 31 October 2000

4. Staff numbers and costs

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

	Number of employees	
	2000	1999
Management	7	7
Administration	28	31
Production and sales	66	53
	<u>101</u>	<u>91</u>

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	2,477,428	2,042,605
Social Security costs	249,750	196,991
Other pension costs (see note 17)	58,590	61,435
	<u>2,785,768</u>	<u>2,301,031</u>

5. Interest Receivable

	2000	1999
	£	£
On Bank deposits	-	225,231
On other deposits	4,153	3,335
	<u>4,153</u>	<u>228,566</u>

6. Interest Payable

	2000	1999
	£	£
On bank loans and overdrafts	194,664	20,494
On finance leases and similar hire purchase contracts	21,468	12,758
Interest on outstanding debt	-	1,303
	<u>216,132</u>	<u>34,555</u>

7. Tax charge on profit on ordinary activities

	2000	1999
	£	£
UK Corporation Tax at 30%(1999: 31%)	792,012	82,112
Adjustment in respect of prior years	-	124,142
	<u>792,012</u>	<u>206,254</u>

Ward Homes Limited

Notes to the accounts (continued)

Year ended 31 October 2000

8. Tangible fixed assets

	Plant and machinery £	Computer equipment fixtures and fittings £	Total £
Cost			
At beginning of year	389,520	478,069	867,589
Additions	35,203	152,654	187,857
Disposals	(123,270)	(8,136)	(131,406)
At end of year	<u>301,453</u>	<u>622,587</u>	<u>924,040</u>
Depreciation			
At beginning of year	257,460	247,703	505,163
Charge for year	83,770	86,385	170,155
On disposals	(86,623)	(8,349)	(94,972)
At end of year	<u>254,607</u>	<u>325,739</u>	<u>580,346</u>
Net book value			
At 31 October 2000	<u>46,846</u>	<u>296,848</u>	<u>343,694</u>
At 31 October 1999	<u>132,060</u>	<u>230,366</u>	<u>362,426</u>

Included in fixed assets are assets held under finance leases and hire purchase contracts as follows:

	Plant and machinery £	Fixtures and fittings £	Total £
Cost	<u>32,750</u>	<u>161,309</u>	<u>194,059</u>
Accumulated depreciation at 1 November 1999	26,601	151,540	178,141
Charge for the year	6,149	9,769	15,918
Accumulated depreciation at 31 October 2000	<u>32,750</u>	<u>161,309</u>	<u>194,059</u>

Ward Homes Limited

Notes to the accounts (continued)

Year ended 31 October 2000

9. Stocks

	2000 £	1999 £
Stock of part exchange properties	1,929,495	439,000
Raw materials and consumables	138,047	122,813
Work in progress	11,654,843	8,226,161
Land	10,714,218	10,274,946
	<u>24,436,603</u>	<u>19,062,920</u>

10. Debtors

	2000 £	1999 £
Trade debtors	51,456	76,317
Amounts owed by group undertakings	8,859,227	148,055
Other debtors	202,369	210,993
Corporation taxation recoverable	695,400	613,288
Prepayments and accrued income	97,906	47,354
	<u>9,906,538</u>	<u>1,096,007</u>

11. Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loans and overdraft	7,469,635	3,030,587
Trade creditors	3,669,221	2,238,553
Amounts owed to group undertakings	1,630,088	1,071,358
Obligations under finance leases and hire purchase contracts	8,292	10,255
Other creditors including taxation and social security		
Other taxes and social security	98,746	94,141
Other creditors	61,871	2,396
Accruals and deferred income	3,959,622	3,850,873
	<u>16,897,475</u>	<u>10,298,163</u>

Ward Homes Limited

Notes to the accounts (continued)

Year ended 31 October 2000

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

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts due in two to five years	-	5,891

13. Deferred taxation

There is no potential deferred taxation liability (1999: Nil).

14. Share Capital

	2000 £	1999 £
<i>Authorised:</i>		
3,000,000 Ordinary shares of 5p each	150,000	150,000
<i>Allotted, called up and fully paid:</i>		
2,959,300 Ordinary shares of 5p each	147,965	147,965

15. Reconciliation of movements in Shareholders' funds

	2000 £	1999 £
Profit for the financial year	7,572,061	4,974,034
Opening shareholders' funds	10,217,299	5,243,265
Closing shareholders' funds	17,789,360	10,217,299

16. 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.

Contingent liabilities in respect of performance bonds totalled £231,309 at 31 October 2000 (1999: £ 205,389).

Ward Homes Limited

Notes to the accounts *(continued)*

Year ended 31 October 2000

17. 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: £ 34,918).

The group also operates an insured defined contribution scheme for which the pension charge for the year under review was £25,094 (1999: £ 25,440).

18. 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.

19. 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.