

COMPANY No. 329622
WARDS CONSTRUCTION (MEDWAY) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31ST OCTOBER, 1987



PEAT MARWICK McLINTOCK
7 Ashford Road, Maidstone, Kent ME14 5BL

WARDS CONSTRUCTION (MEDWAY) LIMITED

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DIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 31st October, 1987.

Activities and business review:

The principal activity of the Company is housebuilding.

	<u>1987</u>	<u>1986</u>
	£	£
Turnover	30,846,084	26,751,812
	=====	=====
Profit on ordinary activities before taxation	9,019,677	7,125,392
Taxation	(3,074,551)	(2,742,131)
	=====	=====
Profit for the financial year	5,945,126	4,383,261
	=====	=====

An interim dividend of £2,999,989 (1986 : £Nil) was paid in 1987 and the directors recommend a final dividend in respect of the year ended 31st October, 1987 of £1,873,687 (1986 : £1,086,953). The total dividends for the year will thus amount to £4,873,676 (1986 : £1,086,953). The net balance for the year of £1,071,450 has been added to reserves.

Directors:

The directors during the year were:

D.J. Ward	(Chairman)
D.W. Pead	(Appointed 9th March, 1987)
C.A. London	
J.V. Walker	
R.D. Terry	
R.T. Warren	
R.H. Thomas	

WARDS CONSTRUCTION (MEDWAY) LIMITED

DIRECTORS' REPORT

(continued)

Directors:

Mr. D.J.Ward, Mr. J.V. Walker and Mr. D.W. Pead were directors of the Company's ultimate holding company, Ward Holdings PLC, and, accordingly, particulars of their interests in the shares of that company and its subsidiary companies are included in the directors' report of Ward Holdings PLC. Mr. C.A. London's only interest in the shares of Ward Holdings PLC and its subsidiary companies comprised 7,000 ordinary shares in Ward Holdings PLC at 1st November, 1986 and 28,000 at 31st October, 1987. No other director had an interest in any shares of the company or in any shares of other companies in the Ward Holdings PLC Group.

Fixed assets:

Details of changes in fixed assets are shown in note 8 to the accounts.

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 director's 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 were regularly made available.

WARDS CONSTRUCTION (MEDWAY) LIMITED

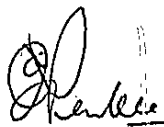
DIRECTORS' REPORT

(continued)

Auditors:

At the company's last annual general meeting, Peat, Marwick, Mitchell & Co. were reappointed as auditors of the company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning the reappointment as auditors will be proposed at the forthcoming annual general meeting.

By order of the Board



Secretary

11th February, 1988

Peat Marwick McLintock

AUDITORS' REPORT TO THE MEMBERS OF
WARDS CONSTRUCTION (MEDWAY) LIMITED

We have audited the accounts on pages 5 to 16 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st October, 1987, and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the the Companies Act 1985.

Maidstone

11th February, 1988

Peat Marwick McIntosh

Chartered Accountants

WARDS CONSTRUCTION (MEDWAY) LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST OCTOBER, 1987

	<u>Note</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
TURNOVER	1	30,846,084	26,751,812
Cost of Sales		(18,451,652)	(16,211,905)
		<hr/>	<hr/>
GROSS PROFIT		12,394,432	10,539,907
Administrative expenses		(2,104,812)	(1,812,034)
Interest payable	3	(1,269,943)	(1,602,481)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES			
BEFORE TAXATION	4	9,019,677	7,125,392
Tax on profit on ordinary activities	6	(3,074,551)	(2,742,131)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,945,126	4,383,261
Dividends	7	(4,873,676)	(1,086,953)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,071,450	3,296,308
Retained profit brought forward		15,493,120	12,196,812
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		16,564,570	15,493,120
		=====	=====

The notes on pages 3 to 16 form part of these accounts.

WARDS CONSTRUCTION (MEDWAY) LIMITED

BALANCE SHEET AT 31ST OCTOBER, 1987

	Note	1987	1986
		£	£
FIXED ASSETS			
Tangible assets	8	488,077	481,164
CURRENT ASSETS			
Stock and work in progress	9	27,022,129	22,092,415
Debtors	10	14,007,089	17,583,121
Cash at bank and in hand		250,361	261,579
		41,279,579	39,937,115
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(24,994,139)	(24,730,627)
NET CURRENT ASSETS		16,285,440	15,206,488
TOTAL ASSETS LESS CURRENT LIABILITIES		16,773,517	15,687,652
PROVISIONS FOR LIABILITIES AND CHARGES	12	(41,560)	(27,145)
NET ASSETS		16,731,957	15,660,507
CAPITAL AND RESERVES			
Called up share capital	13	147,965	147,965
Capital reserve		19,422	19,422
Profit and loss account		16,564,570	15,493,120
		16,731,957	15,660,507

Approved by the board on 11th February, 1988

Directors

The notes on pages 8 to 16 form part of these accounts.

WARDS CONSTRUCTION (MEDWAY) LIMITED

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SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST OCTOBER, 1987

	£	1987	£	£	1986	£
SOURCE OF FUNDS						
Profit on ordinary activities before taxation			9,019,677			7,125,392
ADJUSTMENT FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS:						
Depreciation	187,864			136,708		
Surplus on disposal of tangible fixed assets	(10,221)			(48,012)		
			177,643			88,696
FUNDS GENERATED BY OPERATIONS			9,197,320			7,214,088
FUNDS FROM OTHER SOURCES						
Proceeds of sale of tangible fixed assets	11,813			61,195		
Transfers of investment	-			100		
			11,813			61,295
			9,209,133			7,275,383
APPLICATION OF FUNDS						
Purchase of fixed assets	196,369			421,281		
Tax paid	834,117			652,167		
Dividends paid	4,086,942			1,769,992		
			5,117,428			(2,843,440)
INCREASE IN WORKING CAPITAL			4,091,705			4,431,943
COMPONENTS OF INCREASE IN WORKING CAPITAL						
Stocks			4,929,714			2,084,486
Debtors			(4,741,256)			5,912,233
Creditors falling due within one year			(4,797,568)			(1,441,645)
Movement in net liquid funds:						
(Decrease)/Increase in cash at bank and in hand	(11,218)			151,759		
Decrease/(Increase) in overdraft	8,712,033			(2,274,890)		
			8,700,815			(2,123,131)
			4,091,705			4,431,943

WARDS CONSTRUCTION (MEDWAY) LIMITED
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NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

Basis of accounting:

The accounts are prepared under the historical cost accounting convention.

Turnover:

Turnover represents the gross amounts receivable on the sale of houses and land and includes amounts receivable from fellow subsidiaries of £1,281,295 (1986 : £1,301,993). All turnover arises within the United Kingdom.

Basis of taking credit for sales:

Credit is taken for profit on house sales on the date at which the legal title to the property is transferred.

Stocks and Work in Progress:

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

Depreciation:

Tangible fixed assets are depreciated at the following annual rates estimated to write each asset off over the term of its useful life:

Plant, machinery, fixtures, fittings,	
tools and equipment	- 25% on cost

Deferred Taxation:

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that in the directors' opinion it is probable that liabilities will crystallise in the foreseeable future.

Peat Marwick McLintock

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WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS2. Staff Numbers and Costs

The average number of persons employed (including directors and part-time employees) was as follows:

	<u>1987</u>	<u>1986</u>
Management	11	9
Administration	79	74
Production and sales staff	183	176
	<u>273</u>	<u>259</u>
	===	===

The aggregate payroll costs of these persons were as follows:

	<u>1987</u>	<u>1986</u>
	£	£
Wages and salaries	2,260,769	1,981,956
Social security costs	217,310	183,381
Other pension costs	88,707	53,770
	<u>2,566,786</u>	<u>2,219,107</u>
	=====	=====

3. Interest Payable

	<u>1987</u>	<u>1986</u>
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	1,269,943	1,602,481
	=====	=====

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS4. Profit on Ordinary Activities before Taxation

The profit on ordinary activities before taxation is stated after charging or (crediting) the following:

	<u>1987</u>	<u>1986</u>
	£	£
Depreciation of tangible fixed assets	187,864	136,708
Directors' emoluments (See Note 5)		
As Directors	26,059	18,127
Remuneration as executives	190,167	147,132
Auditors' remuneration and expenses	17,530	16,888
Plant hire	35,952	24,685
Leasing charges	105,530	108,613
Profit of sale of fixed assets	(10,221)	(48,012)
	=====	=====

5. Directors' Emoluments

Excluding pension contributions, the emoluments of the chairman and highest paid director were:

	<u>1987</u>	<u>1986</u>
	£	£
Chairman	35,600	28,800
	=====	=====
Highest paid Director	38,400	29,250
	=====	=====

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS5. Directors' Emoluments (continued)

The emoluments of the other directors were within the following ranges:

	<u>1987</u>	<u>1986</u>
£0 - £ 5,000	1	1
£ 5,001 - £10,000	-	1
£15,001 - £20,000	-	1
£20,001 - £25,000	-	2
£25,001 - £30,000	1	1
£30,001 - £35,000	2	-
£35,001 - £40,000	1	-
	<u>5</u>	<u>6</u>
	===	===

6. Tax on Profit on Ordinary Activities

	<u>1987</u>	<u>1986</u>
	£	£
Corporation tax at 35% (1986 : 37%)	3,060,136	2,747,637
Deferred taxation	14,415	(5,506)
	<u>3,074,551</u>	<u>2,742,131</u>
	=====	=====

7. Dividends

The amounts provided for dividends are as follows:

	<u>1987</u>	<u>1986</u>
	£	£
Interim dividend paid	2,999,989	-
Proposed final dividend	1,873,687	1,086,953
	<u>4,873,676</u>	<u>1,086,953</u>
	=====	=====

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS8. Tangible Fixed Assets

	<u>Plant and Machinery</u>	<u>Fixtures, Fittings, Tools and Equipment</u>	<u>Total</u>
	£	£	£
Cost or valuation:			
At 1st November, 1986	1,113,139	59,382	1,172,521
Additions	186,155	9,009	195,164
Disposals	(44,916)	-	(44,916)
Transfers from group companies	8,550	-	8,550
	<hr/>	<hr/>	<hr/>
At 31st October, 1987	1,262,928	68,391	1,331,319
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1st November, 1986	661,816	29,541	691,357
Charge for the year	177,415	10,449	187,864
Disposals	(43,324)	-	(43,324)
Transfers from group companies	7,345	-	7,345
	<hr/>	<hr/>	<hr/>
At 31st October, 1987	803,252	39,990	843,242
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31st October, 1987	459,676	28,401	488,077
	<hr/>	<hr/>	<hr/>
At 31st October, 1986	451,323	29,841	481,164
	<hr/>	<hr/>	<hr/>

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS

9. Stock and Work in Progress

	<u>1987</u>	<u>1986</u>
	£	£
Land held for development	10,520,778	12,414,217
Raw materials and consumables	828,811	697,035
Work in progress	15,672,540	8,981,163
	<u>27,022,129</u>	<u>22,092,415</u>
	=====	=====

In the opinion of the directors the replacement cost of land held for development is in excess of the book value.

10. Debtors

	<u>1987</u>	<u>1986</u>
	£	£
Amounts falling due within one year:		
Trade debtors	6,880	21,577
Amounts owed by group companies	13,344,480	16,850,643
Other debtors	595,645	690,727
Prepayments	60,084	20,174
	<u>14,007,089</u>	<u>17,583,121</u>
	=====	=====

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS

11. Creditors: Amounts falling due within one year

	<u>1987</u>	<u>1986</u>
	£	£
Bank loans and overdraft	2,750,291	11,462,324
Trade creditors	1,568,653	1,243,099
Amounts owed to group companies	8,342,570	5,152,485
Other creditors including taxation and social security	9,319,925	5,409,067
Accruals and deferred income	1,139,013	376,699
Proposed dividend	1,873,687	1,086,953
	<u>24,994,139</u>	<u>24,730,627</u>
	=====	=====
Other creditors including taxation and social security comprises:		
Corporation tax	8,431,313	4,745,250
Taxation and social security	119,316	86,576
Other creditors	769,296	577,241
	<u>9,319,925</u>	<u>5,409,067</u>
	=====	=====

The bank overdraft is secured by a floating charge on the company's assets.

12. Provisions for Liabilities and Charges

The amounts provided for deferred taxation calculated at 35% (1986 : 35%) on the liability method are set out below:

	<u>1987</u>	<u>1986</u>
	£	£
Accelerated capital allowances	41,560	27,145
	=====	=====

The only amounts unprovided relate to capital losses carried forward amounting to £32,731 (1986 : £32,731) which may be utilised against future capital gains.

WARDS CONSTRUCTION (MEDWAY) LIMITED

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NOTES TO THE ACCOUNTS

13. Share Capital

	<u>1987</u>	<u>1986</u>
	£	£
Authorised:		
3,000,000 Ordinary Shares of 5p each	150,000	150,000
	=====	=====
Allotted, called up and fully paid:		
2,959,299 Ordinary Shares of 5p each	147,965	147,965
	=====	=====

14. Capital and other commitments

Contracts for capital expenditure at 31st October, 1987 amounted to £NIL (1986 - £52,000) and no expenditure authorised by the directors remained uncommitted at that date.

The future minimum lease payments, all of which related to plant and equipment to which the company was committed as at 31st October, 1987 amount to £182,635 (1986 : £291,066) and fall due as follows:

<u>Period</u>	£
1st November, 1987 - 31st October, 1988	100,372
1st November, 1988 - 31st October, 1992	82,263

	182,635
	=====

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS

15. Contingent Liabilities

The company is party to a multilateral guarantee secured by fixed and floating charges in respect of amounts due on bank overdrafts by the Ward Holdings Plc group of companies up to a maximum of £18,000,000 of which £3,093,795 (1986 : £11,990,204) was outstanding at 31st October, 1987.

Contingent liabilities in respect of performance bonds totalled £1,716,578 (1986 : £2,483,845) at 31st October, 1987.

16. Ultimate Holding Company

The Company's ultimate holding company is Ward Holdings PLC, a company incorporated in Great Britain.