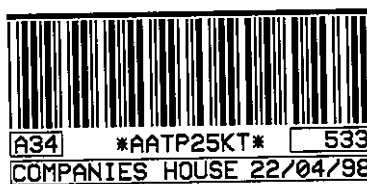


Wards Construction (Medway) Limited

Directors' report and financial statements

31st October 1997

Registered Number: 329622



Wards Construction (Medway) Limited

Directors' report and financial statements

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Wards Construction (Medway) Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31st October 1997.

Principal activities

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

Business review

The results achieved for the year were as follows:

	1997 £	1996 £
Turnover	<u>36,047,200</u>	<u>24,021,018</u>
Profit on ordinary activities before taxation	3,784,352	3,595,778
Taxation	<u>(762,193)</u>	<u>(906,349)</u>
Retained profit for the financial year	<u>3,022,159</u>	<u>2,689,429</u>

Proposed dividend and transfer to reserves

The Directors do not recommend the payment of a dividend (1996: £Nil).

The profit for the year to be transferred to reserves is £3,022,159 (1996: profit £2,689,429).

Wards Construction (Medway) Limited

Directors' report

Directors and directors' interests

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

D.J. Ward	(Chairman)
D.W. Pead	(Resigned 31 December 1997)
R.D.K. Terry	
M.D. Drury	
R.C. Green	

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 D.J. Ward and Mr D.W. Pead are Directors of the Company's ultimate holding company, Ward Holdings PLC and, accordingly, particulars of their interests in the shares of that Company are included in the Directors' Report of Ward Holdings PLC.

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 33 days.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £2,305.

Wards Construction (Medway) Limited

Directors' report (*continued*)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as Auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



G.A. Wall
Secretary

Wards Construction (Medway) 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 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.



KPMG Audit Plc

Barham Court

Teston

Maidstone

Kent

ME18 5BZ

Report of the auditors to the members of Wards Construction (Medway) Limited

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. 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 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG Audit Plc', written over a horizontal line.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

12 February 1998

Wards Construction (Medway) Limited

Profit and loss account

for the year ended 31 October 1997

	Note	1997 £	1996 £
Turnover arising from continuing operations	1	36,047,200	24,021,018
Cost of sales		<u>(29,834,906)</u>	<u>(17,530,087)</u>
Gross profit		6,212,294	6,490,931
Distribution costs		(134,808)	(114,345)
Administrative expenses		<u>(2,563,289)</u>	<u>(2,518,067)</u>
Operating profit arising from continuing operations		3,514,197	3,858,519
Interest receivable and similar income	5	279,288	9,377
Interest payable and similar charges	6	<u>(9,133)</u>	<u>(272,118)</u>
Profit on ordinary activities before taxation	2-4	3,784,352	3,595,778
Tax on profit on ordinary activities	7	<u>(762,193)</u>	<u>(906,349)</u>
Profit for the financial year		3,022,159	2,689,429
Retained profit brought forward		<u>12,501,334</u>	<u>9,811,905</u>
Retained profit carried forward		<u>15,523,493</u>	<u>12,501,334</u>

The company has no recognised gains or losses in either 1997 or 1996 other than those reported in the Profit and Loss Account above.

The notes on pages 8 - 15 form part of these financial statements.

Wards Construction (Medway) Limited

Balance Sheet

as at 31 October 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	8		327,849		289,216
Current assets					
Stocks	9	21,465,957		28,391,486	
Debtors	10	4,708,908		4,536,972	
Cash at bank and in hand		<u>2,284,800</u>		<u>503,599</u>	
		28,459,665		33,432,057	
Creditors: amount falling due within one year	11	<u>(13,060,886)</u>		<u>(20,973,858)</u>	
Net current assets			<u>15,398,779</u>		<u>12,458,199</u>
Total assets less current liabilities			15,726,628		12,747,415
Creditors: amount falling due after more than one year	12		<u>(35,748)</u>		<u>(78,694)</u>
Net assets			<u>15,690,880</u>		<u>12,668,721</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>15,523,493</u>		<u>12,501,334</u>
Shareholders' funds	15		<u>15,690,880</u>		<u>12,668,721</u>

These financial statements were approved by the Board of Directors on 12 February 1998 and were signed on its behalf by:



D.J. Ward

The notes on pages 8 - 15 form part of these financial statements.

Wards Construction (Medway) Limited

Notes

(forming part of the financial statements)

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 accounting rules.

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	-	20% - 25% per annum
Fixtures and Fittings	-	25% per annum

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.

Wards Construction (Medway) Limited

Notes (continued)

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 houses and land.

All turnover arose 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.

Wards Construction (Medway) Limited

Notes (Continued)

2. Profit on ordinary activities before taxation.

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	18,900	16,500
Other	1,500	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	124,923	122,333
Plant hire	404,252	374,939
Other leasing charges	607	2,882
	<hr/>	<hr/>
After crediting:		
Profit on sale of fixed assets	22,887	43,190
	<hr/>	<hr/>

3. Remuneration of Directors

	1997 £	1996 £
Directors' emoluments:		
As directors	8,500	8,500
Remuneration as executives	344,556	309,722
	<hr/>	<hr/>
	353,056	318,222
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the Chairman were £68,789 (1996: £63,271) and those of the highest paid director were £101,796 (1996: £94,089). The number of directors for whom benefits are accruing under defined contribution schemes is 4 (1996: 4).

Wards Construction (Medway) Limited

Notes (continued)

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	
	1997	1996
Management	5	5
Administration	38	48
Production and sales	64	108
	<u>107</u>	<u>161</u>

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	2,238,361	2,640,845
Social Security costs	210,070	248,352
Other pension costs (see note 17)	70,523	80,117
	<u>2,518,954</u>	<u>2,969,314</u>

5. Interest Receivable

	1997 £	1996 £
On Bank deposits	274,289	-
On other deposits	4,999	9,377
	<u>279,288</u>	<u>9,377</u>

6. Interest Payable

	1997 £	1996 £
On bank loans and overdrafts	-	267,060
On finance leases and similar hire purchase contracts	9,133	5,058
	<u>9,133</u>	<u>272,118</u>

7. Taxation

	1997 £	1996 £
UK Corporation Tax at 31.8% (1996: 33%)	655,816	1,147,015
Adjustment in respect of prior years	106,377	(240,666)
	<u>762,193</u>	<u>906,349</u>

Wards Construction (Medway) Limited

Notes (continued)

8. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At beginning of year	1,420,556	300,207	1,720,763
Reallocation	(124,014)	124,014	-
Additions	145,775	27,878	173,653
Disposals	(381,862)	(23,271)	(405,133)
At end of year	<u>1,060,455</u>	<u>428,828</u>	<u>1,489,283</u>
Depreciation			
At beginning of year	1,258,719	172,828	1,431,547
Reallocation	(113,527)	113,527	-
Charge for year	71,704	53,219	124,923
On disposals	(372,865)	(22,171)	(395,036)
At end of year	<u>844,031</u>	<u>317,403</u>	<u>1,161,434</u>
Net book value			
At 31 October 1997	<u>216,424</u>	<u>111,425</u>	<u>327,849</u>
At 31 October 1996	<u>161,837</u>	<u>127,379</u>	<u>289,216</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 1996	2,044	57,105	59,149
Charge for the year	4,094	13,779	17,873
Accumulated depreciation at 31 October 1997	<u>6,138</u>	<u>70,884</u>	<u>77,022</u>

Wards Construction (Medway) Limited

Notes (continued)

9. Stocks

	1997 £	1996 £
Stock of part exchange properties	996,762	2,925,491
Raw materials and consumables	587,687	541,148
Work in progress	7,255,936	11,486,224
Land held for development	<u>12,625,572</u>	<u>13,438,623</u>
	<u>21,465,957</u>	<u>28,391,486</u>

The Directors are of the opinion that the open market value of land held for development is in excess of the net book value

10. Debtors

	1997 £	1996 £
Trade debtors	33,333	63,118
Amounts owed by Group undertakings	4,245,178	3,690,077
Other debtors	356,014	574,351
Prepayments and accrued income	<u>74,383</u>	<u>209,426</u>
	<u>4,708,908</u>	<u>4,536,972</u>

11. Creditors: amounts falling due within one year

	£	1997 £	£	1996 £
Trade Creditors		1,572,100		951,602
Amounts owed to Group undertakings		5,996,771		14,802,601
Finance leases and hire purchase contracts		62,349		55,927
Other creditors including taxation and social security				
Other taxes and social security	707,179		94,441	
Other creditors	67,741		179,712	
		<u>774,920</u>		<u>274,153</u>
Accruals and deferred income		<u>4,654,746</u>		<u>4,889,575</u>
		<u>13,060,886</u>		<u>20,973,858</u>

Wards Construction (Medway) Limited

Notes (continued)

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

	1997 £	1996 £
Finance leases and Hire purchase contracts due in two to five years	<u>35,748</u>	<u>78,694</u>

13. Provision for liabilities and charges

There is no potential deferred taxation liability (1996: Nil).

14. Share Capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of 5p. each	<u>150,000</u>	<u>150,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 5p. each	<u>147,965</u>	<u>147,965</u>

15. Reconciliation of movements in Shareholders' funds

	1997 £	1996 £
Profit for the financial year	3,022,159	2,689,429
Opening Shareholders' funds	12,668,721	9,979,292
	<u>15,690,880</u>	<u>12,668,721</u>
Closing Shareholders' funds		

16. 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 £2,000,000 of which £Nil (1996: £328,815) was outstanding as at 31 October 1997.

Contingent liabilities in respect of performance bonds totalled £176,610 at 31 October 1997 (1996: £189,610).

Wards Construction (Medway) Limited

Notes (continued)

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 1996 and this indicated that the Scheme's assets of £1.49 million exceeded the liabilities of the fund at that date equivalent to a funding level of 112.3%. 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.

The pension charge for the year was £53,641 (1996: £63,370).

The group also operates an insured defined contribution scheme for which the pension charge for the year under review was £16,882 (1996: £16,747).

18. Ultimate Parent Company

The Company is a subsidiary undertaking of Ward Holdings PLC registered in England and Wales, the head of the only group for which group financial statements are drawn up and of which the company is a member.

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

19. 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 Holdings PLC, whose accounts are publicly available.