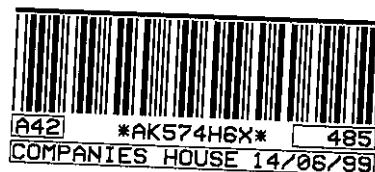


# **Wards Construction (Medway) Limited**

## **Directors' report and financial statements**

**31st October 1998**

**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 1998.

### 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:

|  | 1998<br>£           | 1997<br>£         |
|--|---------------------|-------------------|
| Turnover   | <u>22,336,932</u>   | <u>36,047,200</u> |
| (Loss)/profit on ordinary activities before taxation | (11,154,041)        | 3,784,352         |
| Taxation   | <u>706,426</u>      | <u>(762,193)</u>  |
| Retained (loss)/profit for the financial year        | <u>(10,447,615)</u> | <u>3,022,159</u>  |

### Proposed dividend and transfer to reserves

The Directors do not recommend the payment of a dividend (1997: £Nil).

The loss for the year to be transferred to reserves is £10,447,615 (1997: profit £3,022,159).

# **Wards Construction (Medway) Limited**

## **Directors' report (*continued*)**

### **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    |                              |
| J.J. Trotter  | (Appointed 18 November 1997) |
| F.T. Watkins  | (Appointed 18 November 1997) |
| P.D. Holliday | (Appointed 2 February 1998)  |
| M.R. Lethaby  | (Appointed 20 March 1998)    |
| M.J. Williams | (Appointed 13 November 1998) |

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, Mr P.D. Holliday and Mr M.R. Lethaby 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 day's billings from service suppliers outstanding at the end of the financial year for the company was 33 days.

# **Wards Construction (Medway) Limited**

## **Directors' report** *(continued)*

### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £795.

### **Auditor's**

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

By order of the Board

A handwritten signature in black ink, appearing to read 'M. Lethaby', with a stylized flourish at the end.

**M.R. Lethaby**  
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.

# **Wards Construction (Medway) Limited**

## **Report of the auditor's to the members of Wards Construction (Medway) Limited**

We have audited the financial statements on pages 6 to 14.

### **Respective responsibilities of directors and auditor's**

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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

**28** January 1999

## Wards Construction (Medway) Limited

### Profit and loss account

for the year ended 31 October 1998

|  | Note | 1998<br>£           | 1997<br>£           |
|--|------|---------------------|---------------------|
| Turnover arising from continuing operations                | 1    | 22,336,932          | 36,047,200          |
| Cost of sales  |      | <u>(29,723,710)</u> | <u>(29,834,906)</u> |
| Gross (loss)/profit  |      | (7,386,778)         | 6,212,294           |
| Distribution costs   |      | (12,082)            | (134,808)           |
| Administrative expenses                                    |      | <u>(3,745,414)</u>  | <u>(2,563,289)</u>  |
| Operating (loss)/profit arising from continuing operations |      | (11,144,274)        | 3,514,197           |
| Interest receivable and similar income                     | 5    | 275,789             | 279,288             |
| Interest payable and similar charges                       | 6    | <u>(285,556)</u>    | <u>(9,133)</u>      |
| (Loss)/profit on ordinary activities before taxation       | 2-4  | (11,154,041)        | 3,784,352           |
| Tax on (loss)/profit on ordinary activities                | 7    | <u>706,426</u>      | <u>(762,193)</u>    |
| (Loss)/profit for the financial year                       |      | (10,447,615)        | 3,022,159           |
| Retained profit brought forward                            |      | <u>15,523,493</u>   | <u>12,501,334</u>   |
| Retained profit carried forward                            |      | <u>5,075,878</u>    | <u>15,523,493</u>   |

The company has no recognised gains or losses in either 1998 or 1997 other than those reported in the Profit and Loss Account above.

The notes on pages 8 - 14 form part of these financial statements.



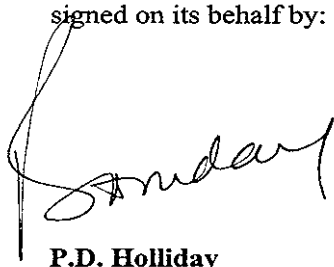
# Wards Construction (Medway) Limited

## Balance Sheet

as at 31 October 1998

|   | Note | 1998                | 1997                |
|---|------|---------------------|---------------------|
|   |      | £                   | £                   |
| <b>Fixed assets</b>   |      |                     |                     |
| Tangible assets   | 8    | 421,316             | 327,849             |
| <b>Current assets</b>   |      |                     |                     |
| Stocks  | 9    | 12,822,133          | 21,465,957          |
| Debtors   | 10   | 4,644,282           | 4,708,908           |
| Cash at bank and in hand                                      |      | <u>1,877,242</u>    | <u>2,284,800</u>    |
|   |      | 19,343,657          | 28,459,665          |
| <b>Creditors: amount falling due within one year</b>          | 11   | <u>(14,502,417)</u> | <u>(13,060,886)</u> |
| <b>Net current assets</b>                                     |      | <u>4,841,240</u>    | <u>15,398,779</u>   |
| <b>Total assets less current liabilities</b>                  |      | <u>5,262,556</u>    | <u>15,726,628</u>   |
| <b>Creditors: amount falling due after more than one year</b> | 12   | <u>(19,295)</u>     | <u>(35,748)</u>     |
| <b>Net assets</b>   |      | <u>5,243,265</u>    | <u>15,690,880</u>   |
| <b>Capital and reserves</b>                                   |      |                     |                     |
| Called up share capital                                       | 14   | 147,965             | 147,965             |
| Share premium account   |      | 19,422              | 19,422              |
| Profit and loss account                                       |      | <u>5,075,878</u>    | <u>15,523,493</u>   |
| <b>Shareholders' funds</b>                                    | 15   | <u>5,243,265</u>    | <u>15,690,880</u>   |

These financial statements were approved by the Board of Directors on the 28 January 1999 and were signed on its behalf by:



P.D. Holliday

The notes on pages 8 - 14 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.

### 2. Profit on ordinary activities before taxation.

|  | 1998<br>£  | 1997<br>£ |
|--|------------|-----------|
| <b>Profit on ordinary activities before taxation is stated after charging/crediting:</b> |            |           |
| Exceptional charge to cost of sales for writedown of land and work in progress           | 11,376,715 | -         |
| Exceptional charge to administration expenses for the waiver of intercompany debt        | 831,536    | -         |
| Auditors' remuneration:  |            |           |
| Audit  | 28,500     | 18,900    |
| Other  | 8,000      | 1,500     |
| Depreciation   | 159,690    | 124,923   |
| Other leasing charges  | 1,147      | 607       |
| Profit on sale of fixed assets   | (25,987)   | (22,887)  |

### 3. Remuneration of Directors

|                            | 1998<br>£      | 1997<br>£      |
|----------------------------|----------------|----------------|
| Directors' emoluments:     |                |                |
| As directors               | 4,250          | 8,500          |
| Remuneration as executives | 543,100        | 344,556        |
|                            | <u>547,350</u> | <u>353,056</u> |

During the year under review all main board directors were remunerated by Ward Construction (Medway) Limited. The emoluments, excluding pension contributions, of the Chairman were £66,209 (1997: £68,789) and those of the highest paid director were £97,167 (1997: £101,796). The number of directors for whom benefits are accruing under defined contribution schemes is 6 (1997: 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 |            |
|----------------------|---------------------|------------|
|                      | 1998                | 1997       |
| Management           | 10                  | 5          |
| Administration       | 48                  | 38         |
| Production and sales | 91                  | 64         |
|                      | <u>149</u>          | <u>107</u> |

The aggregate payroll costs of these persons were as follows:

|                                   | 1998<br>£        | 1997<br>£        |
|-----------------------------------|------------------|------------------|
| Wages and salaries                | 2,860,592        | 2,238,361        |
| Social Security costs             | 266,870          | 210,070          |
| Other pension costs (see note 17) | 133,780          | 70,523           |
|                                   | <u>3,261,242</u> | <u>2,518,954</u> |

### 5. Interest Receivable

|                   | 1998<br>£      | 1997<br>£      |
|-------------------|----------------|----------------|
| On Bank deposits  | 274,859        | 274,289        |
| On other deposits | 930            | 4,999          |
|                   | <u>275,789</u> | <u>279,288</u> |

### 6. Interest Payable

|   | 1998<br>£      | 1997<br>£    |
|---|----------------|--------------|
| On bank loans and overdrafts                          | 9,387          | -            |
| On finance leases and similar hire purchase contracts | 9,962          | 9,133        |
| Interest on outstanding debt                          | 266,207        | -            |
|   | <u>285,556</u> | <u>9,133</u> |

### 7. Taxation

|                                      | 1998<br>£        | 1997<br>£      |
|--------------------------------------|------------------|----------------|
| UK Corporation Tax at 31%(1997: 32%) | (716,915)        | 655,816        |
| Adjustment in respect of prior years | 10,489           | 106,377        |
|                                      | <u>(706,426)</u> | <u>762,193</u> |

# Wards Construction (Medway) Limited

## Notes (continued)

### 8. Tangible fixed assets

|                       | Plant and<br>machinery<br>£ | Fixtures<br>and fittings<br>£ | Total<br>£     |
|-----------------------|-----------------------------|-------------------------------|----------------|
| <b>Cost</b>           |                             |                               |                |
| At beginning of year  | 1,060,455                   | 428,828                       | 1,489,283      |
| Additions             | 161,536                     | 107,469                       | 269,005        |
| Disposals             | (595,056)                   | (176,828)                     | (771,884)      |
| At end of year        | <u>626,935</u>              | <u>359,469</u>                | <u>986,404</u> |
| <b>Depreciation</b>   |                             |                               |                |
| At beginning of year  | 844,031                     | 317,403                       | 1,161,434      |
| Charge for year       | 110,224                     | 49,466                        | 159,690        |
| On disposals          | (582,193)                   | (173,843)                     | (756,036)      |
| At end of year        | <u>372,062</u>              | <u>193,026</u>                | <u>565,088</u> |
| <b>Net book value</b> |                             |                               |                |
| At 31 October 1998    | <u>254,873</u>              | <u>166,443</u>                | <u>421,316</u> |
| At 31 October 1997    | <u>216,424</u>              | <u>111,425</u>                | <u>327,849</u> |

Included in fixed assets are assets held under Finance Leases and Hire Purchase contracts as follows:

|   | Plant and<br>machinery | Fixtures<br>and fittings | Total          |
|---|------------------------|--------------------------|----------------|
| <b>Cost</b>                                 | <u>32,750</u>          | <u>161,309</u>           | <u>194,059</u> |
| Accumulated depreciation at 1 November 1997 | 6,138                  | 70,884                   | 77,022         |
| Charge for the year                         | 8,188                  | 40,328                   | 48,516         |
| Accumulated depreciation at 31 October 1998 | <u>14,326</u>          | <u>111,212</u>           | <u>125,538</u> |

# Wards Construction (Medway) Limited

## Notes (continued)

### 9. Stocks

|                                   | 1998<br>£         | 1997<br>£         |
|-----------------------------------|-------------------|-------------------|
| Stock of part exchange properties | 973,000           | 996,762           |
| Raw materials and consumables     | 242,442           | 587,687           |
| Work in progress                  | 7,600,290         | 7,255,936         |
| Land held for development         | <u>4,006,401</u>  | <u>12,625,572</u> |
|                                   | <u>12,822,133</u> | <u>21,465,957</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

|                                    | 1998<br>£        | 1997<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 130,922          | 33,333           |
| Amounts owed by Group undertakings | 3,589,363        | 4,245,178        |
| Other debtors                      | 49,621           | 356,014          |
| Prepayments and accrued income     | <u>874,376</u>   | <u>74,383</u>    |
|                                    | <u>4,644,282</u> | <u>4,708,908</u> |

### 11. Creditors: amounts falling due within one year

|  | £             | 1998<br>£         | £             | 1997<br>£         |
|--|---------------|-------------------|---------------|-------------------|
| Overdraft  |               | 131,204           |               | -                 |
| Trade Creditors  |               | 2,014,210         |               | 1,572,100         |
| Amounts owed to Group undertakings                     |               | 5,498,434         |               | 5,996,771         |
| Finance leases and hire purchase contracts             |               | 23,085            |               | 62,349            |
| Other creditors including taxation and social security |               |                   |               |                   |
| Other taxes and social security                        | 147,351       |                   | 707,179       |                   |
| Other creditors  | <u>11,849</u> |                   | <u>67,741</u> |                   |
|  |               | <u>159,200</u>    |               | <u>774,920</u>    |
| Accruals and deferred income                           |               | <u>6,676,284</u>  |               | <u>4,654,746</u>  |
|  |               | <u>14,502,417</u> |               | <u>13,060,886</u> |

# Wards Construction (Medway) Limited

## Notes (continued)

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

|   | 1998<br>£     | 1997<br>£     |
|---|---------------|---------------|
| Finance leases and Hire purchase contracts due in two to five years | <u>19,291</u> | <u>35,748</u> |

13. Provision for liabilities and charges

There is no potential deferred taxation liability (1997: Nil).

14. Share Capital

|  | 1998<br>£      | 1997<br>£      |
|--|----------------|----------------|
| <i>Authorised</i><br>Ordinary shares of 5p. each                         | <u>150,000</u> | <u>150,000</u> |
| <i>Allotted, called up and fully paid</i><br>Ordinary shares of 5p. each | <u>147,965</u> | <u>147,965</u> |

15. Reconciliation of movements in Shareholders' funds

|                                      | 1998<br>£         | 1997<br>£         |
|--------------------------------------|-------------------|-------------------|
| (Loss)/profit for the financial year | (10,447,615)      | 3,022,159         |
| Opening Shareholders' funds          | <u>15,690,880</u> | <u>12,668,721</u> |
| Closing Shareholders' funds          | <u>5,243,265</u>  | <u>15,690,880</u> |

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 £12,500,000 of which £Nil (1997: £Nil) was outstanding as at 31 October 1998.

Contingent liabilities in respect of performance bonds totalled £205,389 at 31 October 1998 (1997: £176,610).

# 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 1997 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 £94,935 (1997: £53,641).

The group also operates an insured defined contribution scheme for which the pension charge for the year under review was £22,615 (1997: £16,882).

### 18. Ultimate Parent Company

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

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.