

COMPANY NUMBER 329622

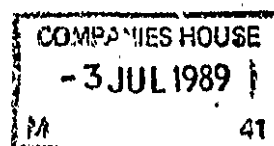
WARDS CONSTRUCTION (MEDWAY) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 OCTOBER 1988

PEAT MARWICK McLINTOCK
Barham Court, Teston, Maidstone, Kent. ME18 5BZ

GC-ACC4



WARDS CONSTRUCTION (MEDWAY) LIMITEDDIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 31 October 1988.

Activities and business review:

The principal activity of the Company is housebuilding.

The results achieved for the year were as follows:

	<u>1988</u> £	<u>1987</u> £
Turnover	32,253,010	30,846,084
Profit on ordinary activities before taxation	11,312,364	9,019,677
Taxation	(3,796,448)	(3,074,551)
Profit for the financial year	<u>7,515,916</u>	<u>5,945,126</u>

The Company consider the results for the year to be satisfactory and is continuing to invest in new sites for residential development for the future.

An interim dividend of £Nil (1987 : £2,999,989) was paid in 1988 and the directors recommend a final dividend in respect of the year ended 31 October 1988 of £1,262,000 (1987 : £1,873,687). The total dividends for the year will thus amount to £1,262,000 (1987 : £4,873,676).

Directors:

The directors during the year were:

D.J. Ward (Chairman)
D.W. Pead
C.A. London
J.V. Walker
R.D. Terry
R.T. Warren
R.H. Thomas

The directors held no interest in the shares of the company during the years ended 31 October 1988 and 31 October 1987.

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 are included in the report of the directors of Ward Holdings Plc. Mr C. A. London held 28,000 ordinary shares during the year ended 31 October 1988.

WARDS CONSTRUCTION (MEDWAY) LIMITED

DIRECTORS' REPORT
(Continued)

Fixed assets:

Details of changes in fixed assets during the period 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.

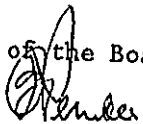
The training, career development and promotion of disabled persons employed by the Company is an integral part of the personnel policy applicable to all employees.

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.

Auditors:

A resolution concerning the reappointment of Peat Marwick McLintock as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board


Secretary

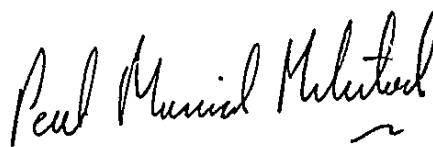
AUDITORS' REPORT TO THE MEMBERS OF
WARDS CONSTRUCTION (MEDWAY) LIMITED

We have audited the accounts set out on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 October 1988, and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Maidstone

9th February 1989



Chartered Accountants

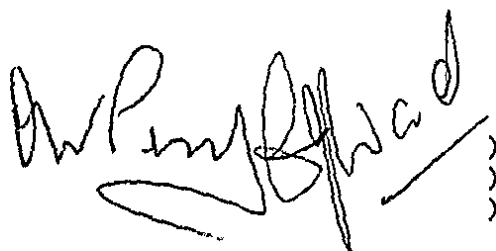
WARDS CONSTRUCTION (MEDWAY) LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 1988

	<u>Note</u>	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
TURNOVER			
Cost of sales	1	32,253,010 (17,099,458)	30,846,084 (18,451,652)
GROSS PROFIT		<u>15,153,552</u>	<u>12,394,432</u>
Administrative expenses		(3,310,742)	(2,104,812)
Interest payable	3	(530,446)	(1,269,943)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	4 6	11,312,364 (3,796,448)	9,019,677 (3,074,551)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividends	7	7,515,916 (1,262,000)	5,945,126 (4,873,676)
RETAINED PROFIT FOR THE FINANCIAL YEAR			
Retained profit brought forward		6,253,916 16,564,570	1,071,450 15,493,120
RETAINED PROFIT CARRIED FORWARD		<u>22,818,486</u>	<u>16,564,570</u>

The notes on pages 7 to 13 form part of these accounts.

WARDS CONSTRUCTION (MEDWAY) LIMITEDBALANCE SHEET AT 31 OCTOBER 1988

	<u>Note</u>	<u>1988</u>	<u>1987</u>
		£	£
FIXED ASSETS			
Tangible fixed assets	8	716,576	651,209
CURRENT ASSETS			
Stocks and work in progress	9	37,046,169	27,022,129
Debtors	10	17,097,947	14,007,089
Cash at bank and in hand		14,076,347	250,361
		<u>68,220,463</u>	<u>41,279,579</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(45,870,184)	25,085,834
NET CURRENT ASSETS		<u>22,350,279</u>	<u>16,193,745</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,066,855</u>	<u>16,844,954</u>
CREDITORS FALLING DUE AFTER ONE YEAR	12	(64,271)	(71,437)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(16,711)	(41,560)
NET ASSETS		<u>22,985,873</u>	<u>16,731,957</u>
CAPITAL AND RESERVES			
Called up share capital	14	147,965	147,965
Capital reserve		19,422	19,422
Profit and loss account		22,818,486	16,564,570
		<u>22,985,873</u>	<u>16,731,957</u>



Directors

Approved by the Board on 9th February 1989.

The notes on pages 7 to 13 form part of these accounts.

WARDS CONSTRUCTION (MEDWAY) LIMITEDSOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31 OCTOBER 1988

	<u>1988</u>	<u>1987</u>
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	11,312,364	9,019,677
ADJUSTMENT FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS:		
Depreciation	350,047	187,864
Surplus on disposal of tangible fixed assets	(44,279)	(10,221)
	<u>305,768</u>	<u>177,643</u>
FUNDS GENERATED FROM OPERATIONS	<u>11,618,132</u>	<u>9,197,320</u>
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	60,272	11,813
	<u>11,678,404</u>	<u>9,209,133</u>
APPLICATION OF FUNDS		
Purchase of fixed assets	431,407	196,369
Tax paid	4,499,352	834,117
Dividends paid	1,873,687	4,086,942
Decrease in amounts falling due after more than one year	7,166	-
	<u>(6,811,612)</u>	<u>(5,117,428)</u>
INCREASE IN WORKING CAPITAL	<u>4,866,792</u>	<u>4,091,705</u>
COMPONENTS OF INCREASE IN WORKING CAPITAL		
Stocks	10,024,040	4,929,714
Debtors	3,090,858	(4,741,256)
Creditors falling due within one year	(24,824,383)	(4,797,568)
Movement in net liquid funds:		
Increase/(decrease) in cash at bank and in hand	13,825,986	(11,218)
Decrease/(increase) in bank loans and overdraft	2,750,291	8,712,033
	<u>16,576,277</u>	<u>8,700,815</u>
	<u>4,866,792</u>	<u>4,091,705</u>

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

Basis of accounting:

The accounts are prepared under the historical cost accounting rules.

Turnover:

Turnover represents amounts receivable on the sale of houses and land and includes amounts receivable from fellow subsidiaries of £40,000 (1987 : £1,281,295). 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 and fittings - 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.

WARDS CONSTRUCTION (MEDWAY) LIMITEDNOTES TO THE ACCOUNTS
(Continued)1. STATEMENT OF ACCOUNTING POLICIES (Continued)Leasing

In accordance with the requirements of SSAP21 the accounting policy for leased assets has been changed from 1 November 1987 so that assets acquired under finance leases that give rights approximating to ownership are treated as if they had been purchased and an amount equivalent to their cost is included under tangible fixed assets. Depreciation for these assets is provided in accordance with the group's normal depreciation policy. Leasing payments are treated as consisting of capital and interest elements with the interest part charged to the profit and loss account. Opening balances for tangible fixed assets and creditors have been re-stated accordingly; no adjustment has been required to the opening profit and loss account. Annual rentals, in respect of operating leases are charged wholly to the profit and loss account.

2. STAFF NUMBERS AND COSTS

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

	<u>1988</u>	<u>1987</u>
	<u>No</u>	<u>No</u>
Management	11	11
Administration	81	79
Production and sales staff	165	183
	<u>257</u>	<u>273</u>

The aggregate payroll costs of these persons were as follows:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Wages and salaries	2,596,979	2,260,769
Social security costs	208,764	217,310
Other pension costs	88,373	88,707
	<u>2,894,116</u>	<u>2,566,786</u>

3. INTEREST PAYABLE

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
On bank loans, overdrafts and other loans wholly repayable within five years	530,446	1,269,943

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS
(Continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Depreciation of tangible fixed assets	350,047	187,864
Directors' emoluments (See Note 5)		
As directors	26,500	26,059
Remuneration as executives	256,743	190,167
Auditors' remuneration and expenses	19,300	17,530
Plant hire	582,575	35,952
Leasing charges	120,025	105,530
Profit of sale of fixed assets	(44,279)	(10,221)

5. DIRECTORS' EMOLUMENTS

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

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Chairman	42,708	35,600
Highest paid director	55,142	38,400

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

	<u>1988</u>	<u>1987</u>
	<u>No</u>	<u>No</u>
£25,001 - £30,000	-	1
£30,001 - £35,000	-	2
£35,001 - £40,000	3	1
£40,001 - £45,000	1	-
£50,001 - £55,000	1	-
	<u>5</u>	<u>4</u>

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS
(Continued)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Corporation tax payable at 35% (1987 : 35%)	3,821,297	3,060,136
Deferred taxation	(24,849)	14,415
	<u>3,796,448</u>	<u>3,074,551</u>

7. DIVIDENDS

The amounts provided for dividends are as follows:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Interim dividend paid	-	2,999,989
Proposed final dividend	1,262,000	1,873,687
	<u>1,262,000</u>	<u>4,873,676</u>

8. TANGIBLE FIXED ASSETS

	Plant and machinery under finance lease <u>£</u>	Plant and machinery <u>£</u>	Fixtures and fittings <u>£</u>	<u>Total</u> <u>£</u>
Cost:				
At 1 November 1987	500,798	1,262,928	68,391	1,832,117
Additions	91,828	319,155	12,549	423,532
Disposals	(24,882)	(158,848)	-	(183,730)
Transfers from group companies	-	7,875	-	7,875
At 31 October 1988	<u>567,744</u>	<u>1,431,110</u>	<u>80,940</u>	<u>2,079,794</u>
Depreciation:				
At 1 November 1987	337,666	803,252	39,990	1,180,908
Charge for the year	114,651	222,677	12,719	350,047
Disposals	(24,882)	(142,855)	-	(167,737)
At 31 October 1988	<u>427,435</u>	<u>883,074</u>	<u>52,709</u>	<u>1,363,218</u>
Net book value:				
At 31 October 1988	<u>140,309</u>	<u>548,036</u>	<u>28,231</u>	<u>716,576</u>
At 31 October 1987	<u>163,132</u>	<u>459,676</u>	<u>28,401</u>	<u>651,209</u>

WARDS CONSTRUCTION (MEDWAY) LIMITEDNOTES TO THE ACCOUNTS
(Continued)9. STOCKS AND WORK IN PROGRESS

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Land held for development	26,980,153	10,520,778
Raw materials and consumables	908,161	828,811
Work in progress	9,157,855	15,672,540
	<u>37,046,169</u>	<u>27,022,129</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>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Trade debtors	7,097	6,880
Amounts owed by group companies	16,621,267	13,344,480
Other debtors	403,286	595,645
Prepayments	66,297	60,084
	<u>17,097,947</u>	<u>14,007,089</u>

11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Bank loans and overdrafts		2,750,291
Trade creditors		1,568,653
Finance leases	76,037	91,694
Amounts owed to group companies	34,135,114	8,342,570
Other creditors including taxation and social security	8,023,012	9,319,925
Accruals and deferred income	1,493,190	1,139,014
Proposed dividend	1,262,000	1,873,687
	<u>45,870,184</u>	<u>25,085,834</u>

WARDS CONSTRUCTION (MEDWAY) LIMITEDNOTES TO THE ACCOUNTS
(Continued)11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Other creditors including taxation and social security comprises:

Corporation tax	7,753,258	8,431,313
Taxation and social security	84,087	119,316
Other creditors	185,667	769,296
	<u>8,023,012</u>	<u>9,319,925</u>

12. CREDITORS FALLING DUE AFTER ONE YEAR

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Obligations under finance leases	64,271	71,437

The obligations under finance leases are all repayable within five years.

13. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts provided for deferred taxation calculated at 35% (1987 : 35%) on the liability method are set out below:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Accelerated capital allowances	16,711	41,560

The only amounts unprovided relate to capital losses carried forward amounting to £32,731 (1987 : £32,731) which may be utilised against future capital gains.

14. SHARE CAPITAL

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</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

WARDS CONSTRUCTION (MEDWAY) LIMITED

NOTES TO THE ACCOUNTS
(Continued)

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 £10,000,000 of which £5,090,255 (1987 : £3,093,795) was outstanding at 31 October 1988.

Contingent liabilities in respect of performance bonds totalled £2,705,335 (1987 : £1,716,578) at 31 October 1988.

16. ULTIMATE HOLDING COMPANY

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