

Ward Homes Limited

Directors' report and financial statements

31 October 2001

Registered Number: 329622



Ward Homes Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

Ward Homes Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2001.

Principal activities

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

Review of the year

Turnover increased by £9,025,801 (19.6%) to £54,971,091. This was based on the sale of 266 houses with an average selling price of £191,000.

Pre-tax profits increased to £8,891,632 (2000: £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. A final dividend of 169p per ordinary share amounting to £5,000,000 is to be paid to the parent company (2000 : Nil)

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
R.D.K. Terry
M.D. Drury
R.C. Green
J.J. Trotter
F.T. Watkins
M.R. Lethaby
J.P. Burnell

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 J.M. 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.

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

Ward Homes Limited

Directors' report (*continued*)

economic factors affecting the performance of the company and other matters of concern to employees was regularly made available.

Directors interests in shares and loan notes of ultimate parent company

The interests of the directors in the shares and loan notes of the ultimate parent company, Ward Homes Group Limited were:

Ward Homes Group Limited	Ordinary Shares 1p	Ordinary Shares 1p	Loan Notes	Loan Notes
	2001 Number	2000 Number	2001 £	2000 £
J. J Trotter	21,560	21,000	2,440	-
F.T Watkins	21,373	21,000	1,627	-
J.P Burnell	3,733	-	16,267	-
M.D Drury	3,733	-	16,267	-
R.D.K Terry	1,867	-	8,133	-
	<u>52,266</u>	<u>42,000</u>	<u>44,734</u>	<u>-</u>

The loan notes bear interest at 9% compound. The loan notes are unsecured, subordinated by the bank loans and are repayable one third in 2008, one half in 2009 and the balance in 2010.

The interests of the other directors are disclosed in the accounts of Ward Homes Group Limited.

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 43 days.

Political and charitable contributions

The company made no political or charitable contributions during the year

Auditor's

A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board



M.R. Lethaby
Secretary

26 February 2002

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.

Ward Homes Limited

Report of the independent auditors to the members of Ward Homes Limited

We have audited the financial statements of Ward Homes Ltd for the year ended 31 October 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 2001 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

27 February 2002

Ward Homes Limited

Profit and loss account

for the year ended 31 October 2001

	Note	2001 £	2000 £
Turnover	1	54,971,091	45,945,290
Cost of sales		(42,872,146)	(35,156,880)
Gross profit		<u>12,098,945</u>	<u>10,788,410</u>
Administrative expenses		(2,995,170)	(2,212,358)
Operating profit		<u>9,103,775</u>	<u>8,576,052</u>
Net Interest Payable	5	(212,143)	(211,979)
Profit on ordinary activities before taxation	2-4	<u>8,891,632</u>	<u>8,364,073</u>
Tax charge on profit on ordinary activities	6	(2,879,974)	(792,012)
Profit for the financial year		<u>6,011,658</u>	<u>7,572,061</u>
Dividends payable to parent company	7	(5,000,000)	-
Retained profit for the financial year		<u>1,011,658</u>	<u>7,572,061</u>

All operations are continuing.

The company has no recognised gains or losses in either 2001 or 2000 other than those reported in the profit and loss account above.

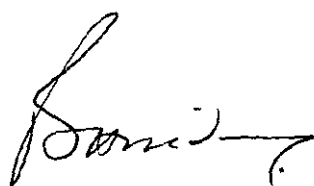
Ward Homes Limited

Balance sheet

as at 31 October 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	8	323,700	343,694
Current assets			
Stocks	9	24,124,150	24,436,603
Debtors	10	6,512,990	9,906,538
Cash at bank and in hand		5,720,385	-
		<u>36,357,525</u>	<u>34,343,141</u>
Creditors: amount falling due within one year	11	<u>(17,880,207)</u>	<u>(16,897,475)</u>
Net current assets		<u>18,477,318</u>	<u>17,445,985</u>
Total current assets less current liabilities		<u>18,801,018</u>	<u>17,789,679</u>
Capital and reserves			
Called up share capital	13	147,965	147,965
Share premium account		19,422	19,422
Profit and loss account	14	18,633,631	17,621,973
Equity shareholders' funds	15	<u>18,801,018</u>	<u>17,789,360</u>

These financial statements were approved by the Board of Directors on 26 February 2002 and were signed on its behalf by:



P.D. Holliday O.B.E.

Ward Homes Limited

Notes to the accounts

Year ended 31 October 2001

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 2001

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.

	2001 £	2000 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	181,074	170,155
Loss on sale of fixed assets	795	5,963
Operating lease charges		
- plant & machinery	98,983	100,390
- other	23,440	-

Auditors' remuneration in the current and preceding year was borne by the ultimate parent company.

3. Directors' emoluments

	2001 £	2000 £
Directors' emoluments:	391,852	518,188

The emoluments, excluding pension contributions, of the highest paid director were £80,592 (2000 : £104,416). The number of directors who are members of the defined contribution scheme is 5 (2000: 6).

The pension contributions of the highest paid director were £3,300 (2000 : £3,135)

The emoluments of Mr P.D. Holliday, Mr J.M. Williams and Mr M.R. Lethaby were paid by the ultimate parent company, Ward Homes Group Limited, in the current year and by the immediate parent company, Ward Holdings Limited, in the preceding year.

Ward Homes Limited

Notes to the accounts *(continued)*

Year ended 31 October 2001

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	
	2001	2000
Management	9	7
Administration	22	28
Production and sales	58	66
	<u>89</u>	<u>101</u>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	2,259,782	2,477,428
Social Security costs	224,681	249,750
Other pension costs (see note 17)	27,559	58,590
	<u>2,512,022</u>	<u>2,785,768</u>

Ward Homes Limited

Notes to the accounts (continued)

Year ended 31 October 2001

5. Interest

	2001 £	2000 £
On bank loans and overdrafts	215,508	194,664
On finance leases and similar hire purchase contracts	-	21,468
On other deposits	(3,365)	(4,153)
	<u>212,143</u>	<u>211,979</u>

6. Tax charge on profit on ordinary activities

	2001 £	2000 £
UK Corporation Tax at 30%(2000: 30%)	2,689,974	792,012
Adjustment in respect of prior years	190,000	-
	<u>2,879,974</u>	<u>792,012</u>

7. Dividends

	2001 £	2000 £
Equity - Ordinary		
Final proposed : 169p per £0.05 share	<u>5,000,000</u>	<u>-</u>

8. Tangible fixed assets

	Plant and machinery £	Computer equipment, fixtures and fittings £	Total £
Cost			
At beginning of year	301,453	622,587	924,040
Additions	25,510	146,586	172,096
Disposals	(106,330)	-	(106,330)
At end of year	<u>220,633</u>	<u>769,176</u>	<u>989,806</u>
Depreciation			
At beginning of year	254,607	325,739	580,346
Charge for year	58,485	122,589	181,074
On disposals	(95,314)	-	(95,314)
At end of year	<u>217,778</u>	<u>448,328</u>	<u>666,106</u>
Net book value			
At 31 October 2001	<u>2,855</u>	<u>320,848</u>	<u>323,700</u>
At 31 October 2000	<u>46,846</u>	<u>296,848</u>	<u>343,694</u>

Ward Homes Limited

Notes to the accounts (continued)

Year ended 31 October 2001

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

	Plant and machinery £	Fixtures and fittings £	Total £
Cost and at 1 November 2000 and 31 October 2001	32,750	161,309	194,059
Accumulated depreciation at 1 November 2000 and 31 October 2001	32,750	161,309	194,059

9. Stocks

	2001 £	2000 £
Stock of part exchange properties	1,281,550	1,929,495
Raw materials and consumables	120,343	138,047
Work in progress	8,020,441	11,654,843
Land	14,701,816	10,714,218
	<u>24,124,150</u>	<u>24,436,603</u>

10. Debtors

	2001 £	2000 £
Trade debtors	-	51,456
Amounts owed by group undertakings	6,172,887	8,859,227
Other debtors	334,553	202,369
Corporation taxation recoverable	-	695,400
Prepayments and accrued income	5,550	97,906
	<u>6,512,990</u>	<u>9,906,538</u>

Ward Homes Limited

Notes to the accounts (*continued*)

Year ended 31 October 2001

11. Creditors: amounts falling due within one year

	2001 £	2000 £
Bank loans and overdraft	-	7,469,635
Trade creditors	3,896,741	3,669,221
Amounts owed to group undertakings	1,970,466	1,630,088
Corporation tax payable	2,036,111	-
Obligations under finance leases and hire purchase contracts	661	8,292
Other creditors including taxation and social security		
Other taxes and social security	39,110	98,746
Other creditors	-	61,871
Accruals and deferred income	4,937,118	3,959,622
Proposed Dividend	5,000,000	-
	<hr/> 17,880,207	<hr/> 16,897,475

12. Deferred taxation

There is no potential deferred taxation liability (2000: nil).

13. Share Capital

	2001 £	2000 £
<i>Authorised:</i>		
3,000,000 Ordinary shares of 5p each	<hr/> 150,000	<hr/> 150,000
<i>Allotted, called up and fully paid:</i>		
2,959,300 Ordinary shares of 5p each	<hr/> 147,965	<hr/> 147,965

14. Reserves

	Profit and loss account £
31 October 2000	17,621,973
Retained profit for the financial year	1,011,658
	<hr/>
31 October 2001	<hr/> 18,633,631

Ward Homes Limited

Notes to the accounts *(continued)*

Year ended 31 October 2001

15. Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	1,011,658	7,572,061
Opening shareholders' funds	17,789,360	10,217,299
Closing shareholders' funds	18,801,018	17,789,360

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 £43.6m of which £30.6m was outstanding as at 31 October 2001.

Contingent liabilities in respect of performance bonds totalled £231,309 at 31 October 2001 (2000: £231,309).

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 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. The deficit has been fully provided in the group's accounts, where the disclosures required by FRS 17, retirement benefits, are also given.

The group also operates an insured defined contribution scheme for which the company's pension charge for the year under review was £27,599 (2000 £25,094).

Ward Homes Limited

18. Operating lease commitments

At 31 October 2001 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £'000	Other £'000	Total £'000
Leases which expire:			
Within one year	-	-	-
Within two to five years	-	240	240
Greater than five years	-	-	-
	<hr/>	<hr/>	<hr/>
	-	240	240
	<hr/>	<hr/>	<hr/>

19. 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.

20. 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.