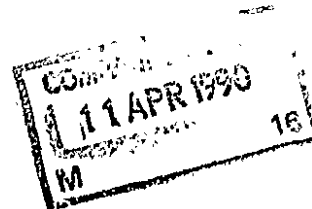


TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED
FORMERLY TRENCHERWOOD NEW HOMES (CENTRAL) LIMITED

YEAR ENDED 31 OCTOBER 1989

CONTENTS

| | Page |
|--|--------|
| Directors' Report | 1 - 2 |
| Profit and Loss Account | 3 |
| Balance Sheet | 4 |
| Statement of Source & Application of Funds | 5 |
| Notes | 6 - 13 |
| Auditors' Report | 14 |



TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and audited financial statements for the year ended 31 October 1989.

Principal Activities

The Company's principal activities comprise of residential and commercial property development.

Change of Name

The company changed its name from Trencherwood New Homes (Central) Limited to Trencherwood Homes (Central) Limited on 16 October 1989 and from Trencherwood Homes (Central) Limited to Trencherwood Homes (South Eastern) Limited on 1 November 1989.

Review of the Financial Position

The Company's operations have continued to expand during the year with increased turnover and an increase in profits before taxation.

Future Developments

The Company has continued to trade successfully after the year end.

Results and Appropriations

The net profit prior to any adjustment for tax or appropriations was £4,388,498 (1988 £8,477,897).

No payment of any dividend is recommended by the board.

Directors

The Directors holding office during the year were:

| | |
|----------------|--|
| J A Norgate | |
| B P Eighteen | |
| C R Davis | |
| D L Norgate | |
| J R Morris | (resigned 4 August 1989) |
| S B Barrett | (resigned 4 August 1989) |
| N F Kernutt | (resigned 4 August 1989) |
| R D Goodenough | (resigned 4 August 1989) |
| T W Massingham | (appointed 26 July 1989) |
| E J Webster | (appointed 19 June 1989 and resigned 4 August 1989) |

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

DIRECTORS' REPORT

Continued

The interests of the Directors, including family interests, in the shares of the holding company were:

| Directors | Description of Shares | Balance Sheet | Previous Period |
|----------------|-----------------------|---------------|-----------------|
| J A Norgate | Ordinary 10p | 11,774,888 | 11,774,888 |
| B P Eighteen | Ordinary 10p | 124,509 | 124,509 |
| C R Davis | Ordinary 10p | 63,808 | 78,808 |
| D L Norgate | Ordinary 10p | 3,360,487 | 3,360,487 |
| T W Massingham | Ordinary 10p | - | - |

Tangible Fixed Assets

Movements in tangible fixed assets are dealt with in Notes 7 and 8 to the Financial Statements.

Charitable Donations

During the year, the Company made charitable donations of £500 (1988: £2,909).

Auditors

Haines Watts have expressed their willingness to stand for re-election in accordance with Section 384 of the Companies Act 1985 and a Resolution proposing their re-appointment will be put to the Annual General Meeting.

By Order of the Board

20 February 1990



Secretary: R J R Brooke

TRENCHWOOD HOMES (SOUTH EASTERN) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 1989

| | Notes | 1989 £000 | 1988 £000 |
|--|-------|--------------|--------------|
| TURNOVER | | 24,993 | 32,733 |
| Cost of Sales | | 19,546 | 21,408 |
| GROSS PROFIT | | 5,447 | 11,325 |
| Operating Expenses | 2 | 1,105 | 1,238 |
| OPERATING PROFIT | 3 | 4,342 | 10,087 |
| Interest Payable | 4 | (136) | (1,630) |
| Interest Receivable | | 171 | 5 |
| Rental Income | | 12 | 16 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 4,389 | 8,478 |
| Taxation | 6 | 1,557 | 2,967 |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 15 | 2,832 | 5,511 |

The notes on pages 6 to 13 form part of these Financial Statements.

TRENCHWOOD HOMES (SOUTH EASTERN) LIMITED

BALANCE SHEET

AS AT 31ST OCTOBER 1989

| | Notes | 1989 £000 | 1988 £000 |
|---|-------|--------------|--------------|
| FIXED ASSETS | | | |
| Tangible Assets | | | |
| Investment Properties | 7 | 88 | 22 |
| Other Fixed Assets | 8 | 215 | 207 |
| Investments | 9 | 1 | 1 |
| | | 304 | 230 |
| CURRENT ASSETS | | | |
| Work in Progress | 10 | 20,193 | 24,961 |
| Debtors | 11 | 3,336 | 5,658 |
| Bank | | 634 | - |
| | | 24,163 | 30,619 |
| CREDITORS: Amounts falling due within 1 year | 12 | 3,649 | 13,092 |
| NET CURRENT ASSETS | | 20,514 | 17,527 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 20,818 | 17,757 |
| CREDITORS: Amounts falling due after more than 1 year | 13 | 135 | 4 |
| Provision for Liabilities and Charges | 14 | 81 | 4 |
| | | £20,602 | £17,749 |
| SHARE CAPITAL AND RESERVES | | | |
| | 15 | | |
| Called up Share Capital | | 770 | 770 |
| Profit and Loss Account | | 19,789 | 16,957 |
| Revaluation Reserve | | 43 | 22 |
| | | £20,602 | £17,749 |

J A Norgate

B P Eighteen

20 February 1990

The notes on pages 6 to 13 form part of these Financial Statements

TRENCHWOOD HOMES (SOUTH EASTERN) LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS

| YEAR ENDED 31 OCTOBER 1989 | | |
|---|--------------|--------------|
| SOURCE OF FUNDS | 1989 £000 | 1988 £000 |
| Profit on ordinary activities before taxation | 4,389 | 8,478 |
| Adjustment for items not involving the movement of funds: | | |
| Loss/(Profit) on sale of Tangible Fixed Assets | 1 | (15) |
| Depreciation of Tangible Fixed Assets | 93 | 62 |
| TOTAL GENERATED FROM OPERATIONS | 4,483 | 8,525 |
| FUNDS FROM OTHER SOURCES | | |
| Proceeds on the sale of Tangible Fixed Assets | 35 | 57 |
| TOTAL FUNDS FROM ALL SOURCES | 4,518 | 8,582 |
| APPLICATION OF FUNDS | | |
| Purchase of investment properties | 45 | - |
| Purchase of other Fixed Assets | 136 | 254 |
| Taxation and Group Relief | 5,153 | 61 |
| Dividends Paid | - | 385 |
| TOTAL APPLICATION OF FUNDS | 5,334 | 700 |
| (DECREASE)/INCREASE IN WORKING CAPITAL | £ (816) | £7,882 |
| ARISING FROM MOVEMENTS IN: | | |
| Work in Progress | (4,768) | 5,664 |
| Debtors | (2,320) | 2,879 |
| Creditors | 5,321 | (753) |
| Bank | 951 | 92 |
| | £ (816) | £7,882 |

The notes on pages 6 to 14 form part of these Financial Statements.

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Accounting Convention

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain assets.

b) Turnover

Turnover represents the sales of new houses, completed commercial developments, and other invoiced income. Turnover is stated net of Value Added Tax.

c) Basis of Taking Profit

Profit is taken as follows:

(i) New homes - profit is taken when contracts are exchanged, provided that completion takes place within a month of the balance sheet date. A provision for after sales maintenance is made in respect of each unit.

(ii) Commercial - profit on commercial development is taken on legal completion of sale.

d) Interest

Interest on new homes developments is written off as it is incurred. Interest on commercial development is included in work in progress until written off at the date of legal completion.

e) Work in Progress

Work in Progress is valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads and interest where appropriate.

f) Tangible Fixed Assets

Fixed assets are depreciated on the straight line basis at the following annual rates:

| | |
|------------------------|----------------|
| Plant | 20 per cent |
| Fixtures and equipment | 15-33 per cent |
| Motor vehicles | 25 per cent |

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

g) Deferred Taxation

Deferred taxation has been provided at the current rate of taxation on differences arising from the inclusion of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements except to the extent of timing differences where, in the opinion of the directors, it is reasonable to assume that they will not reverse and give rise to a taxation liability in the foreseeable future.

h) Revaluation Reserve

Surpluses on revaluation of properties held as fixed assets are credited to revaluation reserve.

i) Ground Rents

Ground rents are valued at six years' net rents. Surpluses in valuing ground rents are taken to revaluation reserve. No provision for taxation is made.

j) Leasing

i) Assets leased to third parties are not included in tangible fixed assets but are shown as debtors.

ii) Profits in respect of leasing contracts are apportioned to give a constant periodic rate of return.

| | 1989 £000 | 1988 £000 |
|--|--------------|--------------|
| 2. OPERATING EXPENSES | | |
| Operating Expenses comprise: | | |
| Marketing Costs | 683 | 759 |
| Administrative Expenses | 422 | 479 |
| | 1,105 | 1,238 |
| 3. OPERATING PROFIT | | |
| Operating Profit is stated after charging: | | |
| Depreciation written off Tangible Assets | 92 | 62 |

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | 1989 £000 | 1988 £000 |
|--|--------------|--------------|
| 4. INTEREST PAYABLE | | |
| Repayable on bank loans, overdrafts and other loans: | | |
| Repayable within 5 years | | |
| - Due to Holding Company | - | 1,500 |
| - Other | 136 | 100 |
| Rental guarantees | - | 30 |
| | 136 | 1,630 |
| 5. DIRECTORS AND EMPLOYEES INFORMATION | | |
| Directors: | | |
| Directors emoluments including pension contributions | 183 | 118 |
| The Remuneration of directors, excluding pension contributions were as follows: | | |
| Highest paid director | 44 | 42 |
| Other directors remuneration: | No. | No. |
| £10001-£15000 | 1 | - |
| £25001-£30000 | 3 | - |
| £30001-£35000 | 1 | 2 |
| £35001-£40000 | - | 1 |
| The other directors were unpaid. | | |
| Staff Costs: | | |
| Wages and Salaries | 996 | 607 |
| Social Security Costs | 110 | 59 |
| Pension Costs | 15 | 14 |
| | 1,121 | 680 |
| Average Number of Persons Employed: | No. | No. |
| Administration | 20 | 16 |
| Production | 46 | 30 |
| | 66 | 46 |

TRENCHWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | 1989 £000 | 1988 £000 |
|--|--------------|--------------|
|--|--------------|--------------|

6. TAXATION

Based on Profits for the year:

| | | |
|--------------------------------------|-------|-------|
| Corporation Tax at 35% (1988 35%) | 17 | 2,905 |
| Group Relief Payable | 1,463 | 80 |
| | 1,480 | 2,985 |
| Transfer to/(from) Deferred Taxation | 1,480 | (18) |
| | 1,557 | 2,967 |

7. INVESTMENT PROPERTIES

| | Ground Rents £000 | Investment Property £000 | Total £000 |
|--------------------------------------|-------------------------|--------------------------------|---------------|
| Cost or valuation at 1 November 1988 | 22 | - | 22 |
| Additions | - | 45 | 45 |
| Disposals | (1) | - | (1) |
| Revaluation | 22 | - | 22 |
| At 31 October 1989 | 43 | 45 | 88 |

TRENCHWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER FIXED ASSETS:

| | Motor Vehicles £000 | Plant Fixtures & Equipment £000 | Showhouse Fixtures & Fittings £000 | Total £000 |
|------------------------------------|---------------------------|--|---|---------------|
| Cost at 1 November 1988 | 311 | 11 | 5 | 327 |
| Additions | 123 | 12 | 2 | 137 |
| Disposals | (93) | - | - | (93) |
| Transfers to Group Companies | - | (1) | - | (1) |
| At 31 October 1989 | 341 | 22 | 7 | 370 |
| Depreciation at 1 November 1988 | 111 | 8 | 1 | 120 |
| Eliminated on disposals | (57) | - | - | (57) |
| Charge for year | 86 | 4 | 2 | 92 |
| At 31 October 1989 | 140 | 12 | 3 | 155 |
| Net Book Values | | | | |
| At 31 October 1988 | 200 | 3 | 4 | 207 |
| At 31 October 1989 | 201 | 10 | 4 | 215 |

All Motor Vehicles are held under hire purchase and similar agreements administered by other group companies.

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | 1989 £000 | 1988 £000 |
|-------------------------------------|--------------|--------------|
| 9. INVESTMENTS | | |
| Shares in Group Companies - at cost | 1 | 1 |

The following companies were subsidiaries at the balance sheet date.

| | Ordinary Share Capital £ | Nature of Business |
|---|--------------------------------|-----------------------|
| Trencherwood Homes (Midlands) Limited | 100 | Property Developers |
| Trencherwood Retirement Homes Limited | 100 | Property Developers |
| Trencherwood Land Limited | 100 | Property Developers |
| Trencherwood Homes (South Western) Limited | 100 | Property Developers |
| Grandmount Limited | 100 | Dormant |
| Trencherwood Homes (Southern) Limited | 100 | Property Developers |
| Trencherwood Homes (Eastern) Limited | 100 | Property Developers |

All the subsidiaries are wholly owned and all operate within the United Kingdom.

| | 1989 £000 | 1988 £000 |
|--------------------------|--------------|--------------|
| 10. WORK IN PROGRESS | | |
| Developments in progress | 10,079 | 9,107 |
| Development land | 10,114 | 15,854 |
| | 20,193 | 24,961 |

| | | |
|--|-------|-------|
| 11. DEBTORS: Amounts falling due within 1 year | | |
| Finance Leases Receivable | - | 28 |
| Trade Debtors | 2,081 | 3,685 |
| Amounts due from Holding Company | 316 | 1,563 |
| Amounts due from Group Companies | 629 | 65 |
| Amounts due from Related Company | 65 | - |
| Other Debtors | 219 | 303 |
| Prepayments and Accrued Income | 26 | 14 |
| | 3,336 | 5,658 |

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | 1989 £000 | 1988 £000 | | |
|--|-------------------------|----------------------------------|---------------------------------|---------------|
| 12. CREDITORS: Amounts falling due within 1 year | | | | |
| Bank Overdrafts | - | 317 | | |
| Trade Creditors | 1,480 | 1,570 | | |
| Corporation Tax | - | 5,122 | | |
| Other Taxation and Social Security Costs | 25 | 38 | | |
| Amounts due to Group Companies | 1,511 | 5,201 | | |
| Other Creditors | 504 | 704 | | |
| Accruals | 117 | 105 | | |
| Hire Purchase Liabilities | 12 | 35 | | |
| | 3,649 | 13,092 | | |
| 13. CREDITORS: Amounts falling due after more than one year | | | | |
| Hire Purchase Liabilities | - | 4 | | |
| Loan | 135 | - | | |
| | 135 | 4 | | |
| 14. PROVISION FOR LIABILITIES AND CHARGES | | | | |
| | 1989 | 1988 | | |
| The amount provided for deferred taxation is represented as follows: | Amount Provided £000 | Full Potential Liability £000 | | |
| Capital Allowances in excess of depreciation provision | (12) | (12) | | |
| Short term timing differences | 93 | 93 | | |
| | 81 | 81 | | |
| | 4 | 4 | | |
| 15. SHARE CAPITAL AND RESERVES | | | | |
| | Share Capital £000 | Revaluation Reserves £000 | Profit and Loss Account £000 | Total £000 |
| 1 November 1988 | 770 | 22 | 16,957 | 17,749 |
| Profit for the Year | - | - | 2,832 | 2,832 |
| Revaluation of ground rents | - | 21 | - | 21 |
| 31 October 1989 | 770 | 43 | 19,789 | 20,602 |

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | 1989 £000 | 1988 £000 |
|---------------------------------------|--------------|--------------|
| Authorised Share Capital | | |
| 800,000 Ordinary Shares of £1 each | 800 | 800 |
| Allotted and Fully Paid Share Capital | | |
| 770,000 Ordinary Shares of £1 each | 770 | 770 |

16. GUARANTEES

The company has entered into arrangements with certain of the group's bankers whereby there are unlimited cross guarantees.

17. CAPITAL COMMITMENTS

The company had no capital commitments at 31 October 1989 (1988 nil).

18. ULTIMATE HOLDING COMPANY

The ultimate holding company of Trencherwood Homes (South Eastern) Limited is Trencherwood Plc, a company incorporated in the United Kingdom.

19. CONTINGENCIES

The company has in the normal course of business entered into counter indemnities and bonds.

TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

REPORT OF THE AUDITORS

REPORT OF THE AUDITORS TO THE MEMBERS OF
TRENCHERWOOD HOMES (SOUTH EASTERN) LIMITED

We have audited the Financial Statements set out on pages 3 to 13 in accordance with Auditing Standards.

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company at 31 October 1989 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.

Haines Watts
HAINES WATTS

CHARTERED ACCOUNTANTS

READING

20 February 1990
