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PRIORDRIVE LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST AUGUST, 1983

ARTHUR YOUNG McCLELLAND MOORES & CO
CHARTERED ACCOUNTANTS
SOUTHAMPTON



PRIORDRIVE LIMITED

DIRECTORS	J.S. McCarthy W.F. Stone R.M. Harrison T.T. Foan J. Gray FCCA ATII
SECRETARY	J. Gray FCCA ATII
AUDITORS	Arthur Young McClelland Moores & Co Southampton, Hampshire
BANKERS	National Westminster Bank PLC Christchurch, Dorset
SOLICITORS	J.M.B. Turner & Co Bournemouth, Dorset
REGISTERED OFFICE	Queensway House New Milton, Hampshire

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31st August, 1983.

Results and dividends

The trading results for the year are set out in the profit and loss account. A dividend of £694,437 is recommended.

Review of the business

The company's principal activities during the year were in estate development, more particularly the design, construction and sale of sheltered accommodation. The company has traded satisfactorily during the year.

Fixed assets

The changes in fixed assets during the year are summarised in the notes to the accounts. The most significant change concerned investment properties with additions to freehold reversionary interests of £82,733.

Events since the end of the year

The company ceased trading on 1st September, 1983 when its assets and trade were transferred to McCarthy and Stone (Developments) Limited, a fellow subsidiary.

Directors and their interests

The composition of the board of directors of the company during the year was as follows:

J.S. McCarthy
W.F. Stone
R.M. Harrison
T.T. Foan
J. Gray

The company is not required to disclose details of the interests of the directors as they are directors of the holding company.

PRIORDRIVE LIMITED

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DIRECTORS' REPORT
(continued)

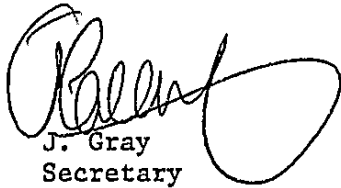
Close company

The company is a close company within the provisions of the Income and Corporation Taxes Act 1970.

Auditors

A resolution to reappoint Arthur Young McClelland Moores & Co. as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



J. Gray
Secretary

12th January, 1984

REPORT OF THE AUDITORS
TO THE MEMBERS OF PRIORDRIVE LIMITED

We have audited the financial statements on pages 4 to 11 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, modified to include the valuation of investment properties, give a true and fair view of the state of the company's affairs at 31st August, 1983 and of its profit for the year then ended and comply with the Companies Acts 1948 to 1981.

As explained in note 16 on page 11, the financial statements do not include a statement of source and application of funds.

Arthur Young McClelland Moores & Co.

ARTHUR YOUNG McCLELLAND MOORES & CO.
SOUTHAMPTON

12th January, 1984.

PRIORDRIVE LIMITED

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST AUGUST, 1983

	<u>Notes</u>	£	<u>1983</u> £	<u>1982</u> £
Turnover	2		1,675,939	933,068
Cost of sales			935,270	500,282
Gross profit			740,669	432,786
Administrative expenses			141,089	79,115
Operating profit	3		599,580	353,671
Net rental income		20,659		14,086
Interest receivable		305		514
			20,964	14,600
Profit on ordinary activities before taxation			620,544	368,271
Tax on profit on ordinary activities	4		194,378	100,000
Profit on ordinary activities after taxation and profit for the financial year			426,166	268,271
Less: Dividends			694,437	-
			(268,271)	268,271
Retained profit brought forward			931,909	663,638
Retained profit carried forward			£663,638	£931,909

Notes on pages 6 to 11 form part of these accounts

PRIORDRIVE LIMITED

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BALANCE SHEET AT 31ST AUGUST, 1983.

	<u>Notes</u>	£	<u>1983</u> £	<u>1982</u> £
Fixed assets:	5			
Freehold reversionary interests			215,363	132,630
Plant and equipment			10,350	14,950
			<u>225,713</u>	<u>147,580</u>
Current assets:				
Stocks	6	1,824,085		785,875
Debtors	7	257,951		720,540
Cash at bank and in hand		281,145		-
Investments in building society accounts		2,651		3,332
		<u>2,365,832</u>		<u>1,509,747</u>
Creditors: amounts falling due within one year	8	1,924,907		720,196
Net current assets			440,925	789,551
Total assets less current liabilities			666,638	937,131
Creditors: amounts falling due after more than one year				
Obligations under hire purchase contracts	10		-	2,222
			<u>£666,638</u>	<u>£934,909</u>
Capital and reserves				
Called up share capital	12		3,000	3,000
Profit and loss account			663,638	931,909
J.S. McCarthy)				
W.F. Stone)	Directors			
12th January, 1984			<u>£666,638</u>	<u>£934,909</u>

The notes on pages 6 to 11 form part of these accounts

NOTES TO THE ACCOUNTS AT 31ST AUGUST, 1983

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention modified to include the valuation of freehold reversionary interests.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Plant and equipment - over 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Land for development and other properties	-	Actual cost of land including incidental costs on acquisition and attributable cost of architects in gaining planning consent.
Work in progress and completed developments	-	Actual cost of land and actual direct labour and material costs plus attributable overheads based on normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

Hire purchase commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

Freehold reversionary interests

On the sale of a unit, the company includes in its fixed assets the freehold reversionary interest at a multiple of the ground rent receivable which approximates to current market value, with a corresponding credit to profit and loss account.

NOTES TO THE ACCOUNTS AT 31ST AUGUST, 1983
(continued)

1. Accounting policies
(continued)

Investment properties

In accordance with Statement of Standard Accounting Practice 19:

- (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The directors believe that this accounting policy results in the accounts giving a true and fair view.

Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

2. Turnover

Turnover represents the invoiced amount of goods sold and services provided, stated net of value added tax.

3. Operating profit

(a) This is stated after charging or crediting:	<u>1983</u> £	<u>1982</u> £
Directors' remuneration (see below)	-	7,500
Auditors' remuneration	-	1,500
Depreciation	4,600	4,600
Loss on sale of fixed assets	-	1,567
Bank interest	80,409	35,783
Other interest	-	4,194
Hire purchase interest	1,015	2,507
	=====	=====

(b) Directors' remuneration:

	<u>1983</u> £	<u>1982</u> £
Fees	-	-
Other emoluments (including pension contributions)	-	7,500
	-----	-----
	£ -	£7,500
	=====	=====

The emoluments of the chairman, excluding pension contributions, were £Nil (1982 £Nil) and of the highest paid director, excluding pension contributions, £Nil (1982 £4,500). Other directors' emoluments excluding pension contributions fell within the following range:

	<u>1983</u>	<u>1982</u>
£Nil - £5,000	-	4
	=====	=====

NOTES TO THE ACCOUNTS AT 31ST AUGUST, 1983
(continued)

4. <u>Tax on profit on ordinary activities</u>	<u>1983</u> £	<u>1982</u> £
Based on the profit for the year:		
Corporation Tax at 52% (1982 52%)	283,000	100,000
Adjustment to prior years	(88,622)	-
	<u>£194,378</u>	<u>£100,000</u>
	=====	=====

If full provision had been made for the potential amount of deferred tax, the tax charge for the year in respect of timing differences arising in the year, would have been increased by £13,000 (1982 £8,000). The tax charge for the year has also been reduced by £31,200 (1982 £21,000) in respect of stock relief.

5. Tangible fixed assets

(a) <u>Investment properties</u>	
Freehold reversionary interests	£
At 1st September, 1982	132,630
Additions	82,733
	<u>£215,363</u>
At 31st August, 1983	=====

Freehold reversionary interests are valued by the directors at an average of approximately seven years ground rent.

(b) Other fixed assets

	<u>Plant and equipment</u> £
Cost:	
At 1st September, 1982 and at 31st August, 1983	23,000

Depreciation:	
At 1st September, 1982	8,050
Provided during the year	4,600
	<u>12,650</u>
At 31st August, 1983	-----
Net book value:	
At 31st August, 1983	£10,350
	=====
At 1st September, 1982	£14,950
	=====

NOTES TO THE ACCOUNTS AT 31ST AUGUST, 1983
(continued)

6. Stocks

	Book value	
	1983	1982
	£	£
Land for development	-	126,366
Work in progress	1,823,085	658,509
Other properties	1,000	1,000
	<u>£1,824,085</u>	<u>£785,875</u>

7. Debtors

	1983	1982
	£	£
Trade debtors	252,249	33,736
Other debtors	5,702	1,525
Amounts due from fellow subsidiaries	-	685,279
	<u>£257,951</u>	<u>£720,540</u>

8. Creditors: amounts falling due within one year

	Note	1983	1982
		£	£
Bank overdraft and loans (secured)	9	669,930	297,905
Obligations under hire purchase contracts		2,222	6,667
Current corporation tax		283,047	227,138
Other creditors		29,348	9,331
Amounts due to holding company		694,437	-
Amounts due to fellow subsidiaries		245,923	179,155
		<u>£1,924,907</u>	<u>£720,196</u>

9. Bank overdraft and loans

The bank overdraft and loans are secured under composite guarantees given by the fellow subsidiaries of McCarthy & Stone plc.

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NOTES TO THE ACCOUNTS AT 31ST AUGUST, 1983
(continued)

10. Obligations under hire purchase contracts

	<u>£</u>
Year ending 31st August, 1984	2,560
Less finance charges allocated to future periods	338

	£ 2,222
	=====
Hire purchase contracts shown as:	
	<u>£</u>
Current obligations	2,222
Non-current obligations	-

	£ 2,222
	=====

11. Deferred taxation

There is no provision for deferred taxation in the accounts. The potential amounts in respect of capital allowances in advance of depreciation at 31st August, 1983 are as follows:

	<u>1983</u>	<u>1982</u>
Capital allowances in advance of depreciation	£53,585	£ 8,000
	-----	-----

12. Share capital

	<u>1983</u>	<u>Authorised</u>	<u>1982</u>	<u>Allotted, called</u>	<u>up and fully paid</u>
	<u>No.</u>		<u>No.</u>	<u>1983</u>	<u>1982</u>
Ordinary shares of					
£1 each	3,000		3,000	£3,000	£3,000
	-----		-----	-----	-----

NOTES TO THE ACCOUNTS AT 31ST AUGUST, 1983
(continued)

13. Post balance sheet events

The company ceased trading on 1st September, 1983 when its net assets and trade were transferred to McCarthy and Stone (Developments) Limited, a fellow subsidiary.

14. Contingent liabilities

The company has given unlimited guarantees on the bank overdraft, loans and hire purchase facilities of fellow subsidiaries. At 31st August 1983 the amount outstanding under those guarantees was £7,886,298 (1982 £5,081,638).

15. Holding company

The company is a wholly owned subsidiary of McCarthy & Stone plc which is incorporated in England.

16. Source and application of funds

A source and application of funds statement is not provided as the company is a member of a group and the directors do not consider this information is meaningful. A group source and application of funds statement is provided in the accounts of the holding company.