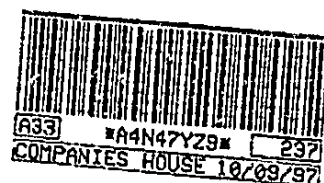


Rivermead Homes Limited

Directors' report and accounts

31st December 1996

Registration 1876057



## **Directors Report**

### **Directors;**

K.M.Cushen  
D.Ryder  
G.T.Holmes  
G.Peasant  
J.T.Richards

The directors present their report and the accounts for the year ended 31 December 1996.

### **Principal activities and business review**

The principal activity of the company during the year was that of house building. It is anticipated that these same activities will continue in 1997.

The company was acquired by George Wimpey Plc on 1st March 1996 as a result of the exchange of certain of its businesses for the private sector housing business of Tarmac Plc, which included this company.

### **Dividends**

The directors do not recommend the payment of a dividend

### **Directors**

The directors who served during the year were as follows

K. M. Cushen	appointed 1.3.96
D. Ryder	
G. T. Holmes	
G. Peasant	
J.T.Richards	
R.J.Harrison	resigned 1.3.96

Interests of the directors who are not directors of the ultimate parent company in the shares of the ultimate parent company at 31 December 1996 and at 1 January 1996 or date of appointment were

	Ordinary Shares		
	George Wimpey Plc 31 Dec 1996	1 Mar 1996 (Or date of appointment if later)	Tarmac Plc 31 Dec 1995
D.Ryder	-	-	851

Options over ordinary shares					
	31 Dec 1996	George Wimpey plc		1 Mar 1996	Tarmac Plc
		Options granted during year	Options exercised during year	(Or date of appointment If later)	31 Dec 1995
G.T.Holmes	3317	3317	-	-	2934
G.Peasant	6634	6634	-	-	3488
J.T.Richards	1326	1326	-	-	-
D.Ryder	16586	16586	-	-	161996

All the interests were held beneficially

All the options were granted under the terms of the ultimate parent company's savings related and executive share option schemes.

Interest of the directors who are directors of the ultimate parent company are shown in that company's financial statements.

The remaining directors who are not directors of the ultimate parent company did not hold or have options over shares of the ultimate parent company at either date.

No director was materially interested during the year in any contract which was significant in relation to the business of the company.

### **Research & Development**

The company's policy of continuous product improvement will continue to place us at the forefront of our market sector.

### **Creditors Payment Policy**

Our policy is to agree the terms and condition for business transactions with suppliers and subcontractors. Payment is generally made on this basis, subject to the terms and conditions being met by the suppliers and subcontractors.

### **Directors' responsibilities**

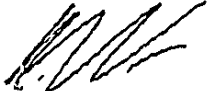
The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit for that period. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with relevant applicable accounting standards and on a going concern basis. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

### **Auditors**

During the year KPMG resigned as auditors and Coopers & Lybrand were appointed in their place.

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the forthcoming Annual General Meeting in accordance with Section 384 of the Companies Act 1985.

By order of the board



S.E. Bori  
Secretary

21 February 1997

## **Report of the auditors to the members of Rivermead Homes Ltd**

We have audited the financial statements on pages 5 to 15

### **Respective responsibilities of directors and auditors**

As described on page 3 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 affairs of the company as at 31 December 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**  
Chartered Accountants and Registered Auditors

London

21 February 1997

**Profit and Loss Account**  
for the year ended 31 December 1996

	Note	1996 £	1995 £
Turnover	2	24,238,536	32,749,596
Cost of Sales		(19,956,576)	(26,435,326)
Gross profit		4,281,960	6,314,270
Administrative expenses:			
Excluding exceptional item		(2,812,356)	(3,802,757)
Exceptional item		-	(870,989)
Total administrative expenses		(2,812,356)	(4,673,746)
Other operating income		5,425	361,276
Operating profit	3	1,475,029	2,001,800
Interest - net payable	4	(351,761)	(78,030)
Profit on ordinary activities before taxation		1,123,268	1,923,770
Taxation charge	5	(375,700)	(658,132)
Retained profit for the year transferred to reserves	14	747,568	1,265,638

Turnover and operating profit for the current and preceding financial years all derive from continuous operations.

There are no recognised gains and losses or other movements in shareholders funds for the current financial year and preceding financial year other than as stated in the profit and loss account.

**Balance Sheet**  
at 31 December 1996

	Note	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	8	94,759	108,431
<b>Current assets</b>			
Work in progress and stock	9	15,353,771	10,367,093
Debtors receivable within one year	10	1,759,396	792,798
Debtors receivable after more than one year	10	511,962	2,095,434
Cash at bank and in hand		300	5,574
		17,625,429	13,260,899
<b>Creditors falling due within one year</b>	11	(11,706,982)	(8,103,692)
<b>Net current assets</b>		5,913,447	5,157,207
<b>Equity shareholders' funds</b>		6,013,206	5,265,638
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Called-up share capital	13	4,000,000	4,000,000
Profit and loss account	14	2,013,206	1,265,638
		6,013,206	5,265,638

The accounts appearing on pages 5 to 15 were approved by the board on 21st February 1997 and signed on their behalf by:

G. T. Holmes.  
Director G.T. HOLMES

**Reconciliation of Movements in Shareholders' Funds**  
for the year ended 31 December 1996

	1996 £	1995 £
<b>Profit attributable to ordinary shareholders and net increase in shareholders funds</b>	747,568	1,265,638
<b>1 January - shareholders funds</b>	5,265,638	4,000,000
<b>31 December - shareholders funds</b>	6,013,206	5,265,638



## **Accounting Policies**

### **Basis of preparation**

The accounts are prepared on the historical cost basis of accounting and have been drawn up in accordance with applicable accounting standards in the United Kingdom.

The company is a wholly-owned subsidiary of George Wimpey PLC and the cash flows of the company are included in the consolidated cash flow statement of George Wimpey PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

### **Turnover**

Sales of newly constructed private houses are included in turnover on legal completion.

### **Profit**

Operating profit comprises the results of private housing development and land sales.

### **Research and development**

Research and development expenditure is charged to revenue in the year in which it is incurred.

### **Depreciation**

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

#### **Plant and equipment**

Over the expected useful life of the assets ranging mainly from 3 to 5 years

### **Fixed assets**

Fixed assets transferred from fellow Group undertakings are included in the accounts at their original cost and depreciation includes depreciation transferred from those undertakings.

### **Taxation**

Provision is made for tax on taxable profit and for deferred tax where there is a reasonable probability that a liability will crystallise in the foreseeable future.

### **Work in progress and stock**

Land is valued at the lower of cost and net realisable value. Other stock comprises materials, equipment and goods for resale valued at the lower of cost and net realisable value.

### **Retirement benefits**

Pension costs are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over the expected service lives of members.

### **Leases**

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

## Notes on the Accounts

### 1. Parent Company

The company's ultimate parent company is George Wimpey PLC which is incorporated in Great Britain.

Accounts of George Wimpey PLC may be obtained from the Company Secretary at  
3 Shortlands, London W6 8EZ

### 2. Turnover

Turnover is derived solely from the development of private housing estates in the United Kingdom.

### 3. Operating Profit

	1996 £	1995 £
Operating profit is stated after charging		
- Depreciation	48,491	46,682
- hire of plant and equipment	775,685	941,884
- rentals under leases of land and buildings	106,000	106,000
- auditors remuneration and expenses	7,500	9,000
- exceptional item	-	870,989

The exceptional charge in 1995 of £870,989 relates to a special bonus payable to employees

4. Interest - Net Payable	1996 £	1995 £
Interest receivable		
Group undertakings	21,022	-
Interest payable		
Group undertakings	(372,783)	(78,030)
	(351,761)	(78,030)

## Notes on the Accounts

### 5. Taxation Charge

	1996 £	1995 £
<b>United Kingdom</b>		
Corporation Tax	364,900	619,700
Deferred tax	10,800	(2,500)
	375,700	617,200
<b>Prior years' adjustments</b>		
United Kingdom - corporation tax	-	40,932
	375,700	658,132

Corporation tax is provided at 33% (1995 33%) on taxable profit for the year. United Kingdom deferred tax is provided at 33% (1995 33%) on taxable profit, where a liability is likely to crystallise in the foreseeable future.

### 6. Pension Arrangements

The company is a participating member of the Wimpey Staff Pension Scheme (the Wimpey Scheme) which is a contributory defined benefit plan to provide pension and death benefits for the company's employees. The assets of the scheme are held in separate Trustee administered funds. The Trustees are Wimpey Pension Trustees Ltd and The Law Debenture Trust Corporation PLC. Contributions to the scheme are based on pension costs across the UK Group as a whole and have been assessed in accordance with the advice of a qualified actuary. The most recent actuarial valuation of the Wimpey Scheme was carried out at 6 April 1993 using the projected unit method.

The pensions costs of £130,209 (1995 £149,527) are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over the expected service lives of members.

Full details relating to the actuarial valuation of the scheme can be found in the financial statements of the ultimate parent company, George Wimpey PLC.

## Notes on the Accounts

### 7 Employees and Directors

	1996 £	1995 £
Staff costs (including directors) comprise		
Salaries and wages	1,716,619	2,652,591
Social security costs	134,228	228,401
Pension contributions	130,209	149,527
	1,981,056	3,030,519

Average number of persons (including directors) employed by the company during the year was

	Number of Employees	
United Kingdom	131	134

Directors' emoluments comprise	£	£
Salaries including benefits in kind and pension contributions	398,558	396,147

Emoluments disclosed above (excluding pension contributions) include amounts paid to

The Chairman	-	-
Highest paid director	143,530	114,290
The emoluments of the directors (excluding pension contributions) whose duties were discharged wholly or mainly in the United Kingdom, were in the bands listed below		

	Number of Directors	
	1996	1995
£0 - £5,000	2	1
£25,001 - £30,000	-	1
£55,001 - £60,000	-	1
£70,001 - £75,000	1	1
£75,001 - £80,000	2	1
£110,001 - £115,000	-	1
£140,001 - £145,000	1	-

## Notes on the Accounts

### Loyalty Bonuses

The emoluments disclosed above include bonuses paid under the terms of a special arrangement agreed by Tarmac Plc following the announcement that it was to divest its private sector housing business, which included this company. The amount paid in respect of these bonuses of £187,500 was fully provided for in the company's 1995 Accounts.

### 8. Tangible Assets

	Plant & Equipment £
Cost or valuation	
1 January	723,831
Capital expenditure	27,500
Disposals	(205,376)
Transfers from fellow Group undertakings	42,394
31 December	588,349
Accumulated depreciation	
1 January	615,400
Charge for the year	48,491
Disposals	(205,376)
Transfers from fellow Group undertakings	35,075
31 December	493,590
Net book value	
31 December	94,759
1 January	108,431

### 9. Work in Progress and Stock

	1996 £	1995 £
Land for development	10,112,038	6,482,540
Other stock	5,241,733	3,884,553
	15,353,771	10,367,093

## Notes on the Accounts

### 10. Debtors

	1996 £	1995 £
Receivable within one year		
-Trade debtors	197,891	94,293
-Amounts owed by group undertakings	542,817	430,758
-prepayments and accrued income	78,853	74,733
-other	939,835	182,214
-deferred tax	-	10,800
	1,759,396	792,798
Receivable after more than one year		
- amounts owed by group undertakings	511,962	2,095,434
	2271,358	2,888,232

### 11. Creditors Falling Due Within One Year

Bank Overdraft	233,606	-
Trade creditors	4,506,689	4,470,214
Payments received on account	64,034	25,080
Amounts owed to group undertakings	5,523,871	981,685
National insurance VAT and other taxes	29,940	30,936
Accruals and deferred income	189,797	170,669
Corporate taxation	364,900	619,700
Other	794,143	1,805,408
	11,706,982	8,103,692

## Notes on the Accounts

### 12. Deferred Taxation

	Amount provided			Potential Asset	
	1996 Movement	1995		1996	1995
	£	£	£	£	£
Deferred taxation provided in the accounts and the potential asset/liability including the amounts for which provision has been made, are as follows					
Excess of capital allowances over depreciation	-	-	-	60,800	72,900
Other	-	(10,800)	10,800	20,600	22,900
Asset	-	(10,800)	10,800	81,400	95,800

### 13. Share Capital

	1996	1995
	£	£
Authorised 4,000,000 ordinary shares of £1 each	4,000,000	4,000,000
Allotted, called up and fully paid 4,000,000 ordinary shares of £1 each	4,000,000	4,000,000

	Profit and Loss £
14. Reserves	
1 January 1996	1,265,638
Movements	
Profit for the year	747,568
31 December 1996	2,013,206

## Notes on the Accounts

### 15. Commitments

	1996 £	1995 £
<b>Operating leases</b>		
Annual commitments under operating leases expiring		
- within one year	82,020	52,583
- within two to five years	128,959	139,827
- after five years	106,000	106,000
	316,979	298,410
of which		
- land and buildings	106,000	106,000
- other	210,979	192,410

### 16. Transactions with Related Parties

In the period from 1st March 1996 to 31st December 1996 the company continued to trade with companies in the Tarmac Group in the normal course of business. During that period the company paid to the Tarmac Group £140,755 for building supplies and materials. The balance owed by the company to the Tarmac Group was £49,496 at the year end.

During 1996, the company paid Mrs. I.Ryder £8,985 for showhome presentation services. Mrs. Ryder is the wife of Mr.D.Ryder, a Director of the company. The balance owed by the company to Mrs. Ryder was nil at the year end.

In December 1996, the company sold a house for £69,950 to Mr.A.Hancock, a senior manager of the company. The price was paid on legal completion.