
Midas Homes Limited

Report and Financial Statements

◆ *Year ended 30 June 2000* ◆



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MIDAS HOMES LIMITED

COMPANY INFORMATION

Directors G P Fitzgerald (Chairman)
 I Baker
 W E Cawse
 R J Hayman
 J E Macey
 M A Noble
 R C Stone
 CMR Stubbs
 D R Wood

Secretary P A Davies

Registered office Wolvey
 Hinckley
 Leicestershire
 LE10 3JH

Registered number 2714200

Auditors RSM Robson Rhodes
 Chartered Accountants
 Centre City Tower
 7 Hill Street
 Birmingham
 B5 4UU

Bankers Barclays Bank PLC

MIDAS HOMES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30 June 2000.

Principal activities

The principal activities of the company are residential property development, social housing and urban regeneration, primarily in Devon, Cornwall and Somerset.

Business review and future developments

A summary of the results of the year's trading is given on page 6 of the financial statements.

Social housing comprised 35% of our total turnover for the year and continues to be a very important part both of the company's present business and future plans.

The speculative housing market has continued to be strong during the year with sales price inflation and a change in sales mix causing our average selling price to increase again from £86,900 to £117,700.

During the year, our site at Brixham Marina received two citations in the 'Best Housing Development of the Year' and 'Best Use of a Brownfield Site for Housing' categories from the National Homebuilder Design Awards 2000 scheme.

The directors consider the position of the company at the end of the year to be satisfactory and, providing that there are no major changes in our markets, anticipate that the company will be able to further consolidate its position in the South West in the coming year.

Dividends

The directors propose a dividend of £840,000 for the year (1999 : £520,000).

MIDAS HOMES LIMITED

REPORT OF THE DIRECTORS

(Continued)

Directors

The present directors of the company are set out on page 1. L J Lewis resigned as a non-executive director on 31 July 1999 and J Livingston and P J Bradford resigned as directors on 28 September 1999 and 29 October 1999 respectively. I Baker, R J Hayman, R C Stone and C M R Stubbs were appointed on 1 May 2000.

M A Noble is a director of Galliford plc, the company's ultimate parent company, and his interests are disclosed in the financial statements of Galliford plc.

Other directors' interests in the shares of Galliford plc were as follows:

	Shares at 30 June 1999 and 30 June 2000	Shares options at 30 June 1999 (or date of appointment) and 30 June 2000
G P Fitzgerald	184,916	-
R J Hayman	-	6,348
R C Stone	-	17,327
C M R Stubbs	-	13,764
D R Wood	38,330	-

No director holds any shares in Midas Homes Limited.

Payment of creditors

The company agrees payment terms with its suppliers and seeks to abide by these terms when it is satisfied that goods and/or services have been provided in accordance with the relevant contractual arrangements.

Trade creditors - £4,716,000 (1999 : £3,914,000) reported in note 13 to the financial statements - represents 43 days (1999 : 32 days) of average daily purchases.

REPORT OF THE DIRECTORS
(Continued)

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 and of the profit or loss of the company for that period. In preparing these financial statements, the directors have:

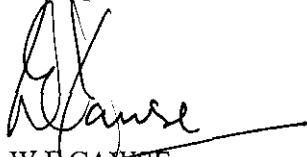
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors changed their name to RSM Robson Rhodes on 18 October 1999 and accordingly have signed the audit report using their new name. They are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

The report of the directors was approved by the Board on 21 August 2000 and signed on its behalf by:


W E CAWSE
Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF MIDAS HOMES LIMITED

We have audited the financial statements on pages 6 to 17 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 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 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 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditor

Birmingham
21 August 2000

MIDAS HOMES LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2000**

	Note	2000 £'000	1999 £'000
Turnover - continuing operations	2	38,848	31,600
Increase in work in progress		449	2,581
		<hr/>	<hr/>
		39,297	34,181
		<hr/>	<hr/>
Raw materials and consumables		10,212	6,241
Other external charges		19,889	20,292
Staff costs	3	3,963	3,278
Depreciation and other amounts written off tangible fixed assets	5	76	196
Profit on disposal of tangible fixed assets		-	(117)
Other operating charges		2,015	1,610
		<hr/>	<hr/>
		36,155	31,500
		<hr/>	<hr/>
Operating profit- continuing operations	6	3,142	2,681
Interest receivable		-	5
Interest payable and similar charges	7	(744)	(502)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	2,398	2,184
Taxation	8	741	465
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,657	1,719
Dividends - proposed		840	520
		<hr/>	<hr/>
Retained profit for the year	17	817	1,199
		<hr/>	<hr/>

There were no recognised gains or losses other than those shown in the profit and loss account above.

MIDAS HOMES LIMITED**BALANCE SHEET**
at 30 June 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	10	302	173
Current assets			
Stocks	11	7,168	6,719
Development land		7,340	6,080
Debtors	12	6,925	5,942
Cash at bank and in hand		1,785	1,019
		<u>23,218</u>	<u>19,760</u>
Creditors: Amounts falling due within one year	13	20,503	17,729
		<u>2,715</u>	<u>2,031</u>
Net current assets			
		<u>2,715</u>	<u>2,031</u>
Total assets less current liabilities		3,017	2,204
Creditors: Amounts falling due after more than one year			
Hire purchase obligations		4	8
		<u>4</u>	<u>8</u>
Net assets		<u>3,013</u>	<u>2,196</u>
Capital and reserves			
Called up share capital	16	250	250
Profit and loss account	17	2,763	1,946
		<u>3,013</u>	<u>1,946</u>
Equity shareholders' funds	18	<u>3,013</u>	<u>2,196</u>

The financial statements were approved by the Board on 21 August 2000 and signed on its behalf by:



C M R STUBBS
Director

NOTES TO FINANCIAL STATEMENTS

30 June 2000

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

Cash flow

The financial statements do not include a cash flow statement because the company, as a wholly owned subsidiary, is exempt from the requirement to prepare such a statement under Financial Reporting Standard No 1 (Revised) "Cash flow statements".

Turnover

Turnover excludes value added tax and is represented by:

- private housebuilding - the value of unit sales on legal completion
- construction - the value of work executed.

Joint arrangements that are not entities

The company undertakes residential developments under unincorporated joint arrangements with trading partners where it provides capital and acts as development co-ordinator responsible for supervising and co-ordinating all aspects of the developments, including building work, site management, sales and ancillary activities normally undertaken by contractors.

Financial Reporting Standard No 9 "Associates and Joint Ventures" classifies this type of arrangement as a "joint arrangement that is not an entity" and accordingly the company's share of turnover and profits less losses attributable to such arrangements is included in arriving at operating profit and its share of individual assets and liabilities is included where appropriate in the balance sheet.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, over their expected useful economic lives. The principal annual rates used for this purpose are:

Short leasehold property	over the period of the lease
Plant and machinery	33% per annum on cost
Fixtures, fittings and office equipment	20% to 33% per annum on cost
Motor vehicles	25% to 33% per annum on cost

Investments

Investments are stated at cost less provision for impairment.

Leased assets

Assets held under finance leases and hire purchase contracts are included in tangible fixed assets at cost and depreciated over their anticipated useful lives.

The capital element of outstanding obligations is included in creditors. The finance element of lease payments is charged to the profit and loss account as interest payable.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

NOTES TO FINANCIAL STATEMENTS**30 June 2000****1. ACCOUNTING POLICIES (Continued)****Stocks**

Stocks, including development land, and work in progress are valued at the lower of actual cost (including attributable overheads) and estimated net realisable value.

Amounts recoverable on contracts are stated at cost plus attributable profits less any foreseeable losses and payments on account and are included in debtors.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Pensions

The expected cost to the company of pension benefits is charged to the profit and loss account so as to spread the cost over the employees' estimated service lives.

2. TURNOVER AND PROFIT BEFORE TAXATION

Turnover and profit before taxation are attributable to the activities undertaken by the company solely within the United Kingdom.

3. EMPLOYEES

The average number of employees, excluding unpaid directors, during the year was as follows:

	2000 No.	1999 No.
Management and administration	27	25
Production and sales	147	145
	<hr/>	<hr/>
	174	170
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

30 June 2000

3. EMPLOYEES (continued)

	30 June 2000 £'000	30 June 1999 £'000
Staff costs:		
Wages and salaries	3,520	2,926
Social security costs	321	255
Other pension costs (see note 19)	122	97
	<u>3,963</u>	<u>3,278</u>

4. DIRECTORS' EMOLUMENTS

	30 June 2000 £'000	30 June 1999 £'000
Aggregate emoluments	632	434
	<u>No.</u>	<u>No.</u>
Number of directors to whom retirement benefits are accruing under defined benefit pension schemes:	6	4
	<u>£'000</u>	<u>£'000</u>
Highest paid director - aggregate emoluments	238	177

The accrued pension of the highest paid director at 30 June 2000 was £3,315 (1999 : £1,167).

NOTES TO FINANCIAL STATEMENTS

30 June 2000

5. DEPRECIATION AND OTHER AMOUNTS WRITTEN OFF
TANGIBLE FIXED ASSETS

	2000 £'000	1999 £'000
Depreciation charge for year:		
- on owned assets	68	100
- on assets under finance leases	8	96
	<u>76</u>	<u>196</u>

6. OPERATING PROFIT

	2000 £'000	1999 £'000
The operating profit is stated after charging:		
Plant hire-operating lease rentals	215	60
Auditors' remuneration		
- audit services	18	20
	<u>215</u>	<u>80</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Bank loans and overdrafts	725	431
Hire purchase	1	13
Other loans	18	58
	<u>744</u>	<u>502</u>

NOTES TO FINANCIAL STATEMENTS

30 June 2000

8. TAXATION

The charge for taxation on the profit on ordinary activities for the year was as follows:

	2000 £'000	1999 £'000
United Kingdom corporation tax		
Current tax on income for the year	738	666
Adjustments in respect of prior years	3	(193)
	<hr/>	<hr/>
Current taxation	741	473
Deferred taxation	-	(8)
	<hr/>	<hr/>
	741	465
	<hr/>	<hr/>

9. FIXED ASSETS - INVESTMENTS

	2000 £'000	1999 £'000
Shares in group undertaking	-	-
	<hr/>	<hr/>

The company holds 100% of the issued ordinary share capital of Midas Homes 2000 Limited, a non-trading company registered in England and Wales. Consolidated financial statements are not prepared as the company is a wholly owed subsidiary of another United Kingdom company. In the opinion of the directors of the company, the aggregate value of the assets of the company comprising shares in, or amounts owing from, the company's subsidiary undertaking is not less than the aggregate of the amounts at which these assets are stated or included in the company's balance sheet.

NOTES TO FINANCIAL STATEMENTS

30 June 2000

10. TANGIBLE ASSETS

	Short leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 30 June 1999	91	26	126	16	259
Additions	65	21	120	-	206
Disposals	-	-	-	(16)	(16)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2000	156	47	246	-	449
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 30 June 1999	2	-	69	15	86
Charged in year	11	19	46	-	76
Disposals	-	-	-	(15)	(15)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2000	13	19	115	-	147
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 June 2000	143	28	131	-	302
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	89	26	57	1	173
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book values include assets held under finance leases and hire purchase agreements as follows:

	Plant and machinery £'000	Total £'000
At 30 June 2000	10	10
	<hr/>	<hr/>
At 30 June 1999	18	18
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

30 June 2000

11. STOCKS

	2000 £'000	1999 £'000
Work in progress	7,168	6,719

12. DEBTORS

	2000 £'000	1999 £'000
Amounts recoverable within one year:		
Trade debtors	2,921	2,743
Amounts recoverable on contracts	324	989
Other debtors	3,587	2,162
Prepayments and accrued income	85	-
Amounts owed by group undertakings	-	40
	6,917	5,934
Amounts recoverable after more than one year:		
Deferred taxation (note 15)	8	8
	6,925	5,942

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Bank overdraft (see note 19)	6,142	4,998
Obligations under finance leases	9	5
Bank loans	337	383
Trade creditors	4,716	3,914
Amounts owed to group undertakings	302	133
Corporation tax	675	824
Other taxation and social security	126	133
Other creditors	2,160	2,257
Accruals	3,054	3,123
Proposed dividend	840	520
Development land creditor	2,142	1,439
	20,503	17,729

NOTES TO FINANCIAL STATEMENTS

30 June 2000

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

The bank loans are being repaid at agreed amounts based on plots sold and bear interest at 1¾% above the base lending rate. The loans are secured on the respective developments.

Finance lease and hire purchase obligations are secured on the assets to which they relate.

14. FINANCIAL COMMITMENTS

Leasing commitments

At 30 June 2000, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1998
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	-	-	220	158
- within two to five years	-	-	261	315
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	481	473
	<hr/>	<hr/>	<hr/>	<hr/>

15. DEFERRED TAXATION

Deferred taxation accounted for in the financial statements and the amount unprovided of the total potential liability at 30% (1999 : 30%) are as follows :

	Amounts accounted for		Amounts not provided	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of :				
Excess of depreciation over capital allowances	8	8	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred taxation asset	8	8	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

30 June 2000

16. SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised		
1,000,000 shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
250,000 shares of £1 each	250	250

17. PROFIT AND LOSS ACCOUNT

	1999 £'000
At 1 July 1999	1,946
Profit for the year	817
At 30 June 2000	2,763

18. RECONCILIATION OF MOVEMENTS ON EQUITY SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit on ordinary activities after taxation	1,657	1,719
Dividends	(840)	(520)
Increase in shareholders' funds	817	1,199
Opening equity shareholders'	2,196	997
Closing equity shareholders' funds	3,013	2,196

19. PENSION COMMITMENTS

Certain employees of the company are covered by one of the funded defined benefit pension schemes operated by the Galliford Group. The cost of providing for pensions is charged to the profit and loss account as incurred. The pension funding costs are assessed in accordance with actuarial valuations made triennially by external professional actuaries. The latest actuarial valuations were carried out as at 1 April 1997 and particulars are contained in the financial statements of Galliford plc, the ultimate parent company. Pension costs for the year amounted to £122,000 (1999 : £97,000).

NOTES TO FINANCIAL STATEMENTS

30 June 2000

20. CONTINGENT LIABILITIES

- (a) The company, together with certain other Galliford group companies, has entered into an arrangement with Barclays Bank PLC whereby the companies bound by this arrangement jointly and severally guarantee any overdraft granted to those companies. The group overdraft facility is also secured on the assets of the company. It is not expected that any liability will be incurred in respect of these guarantees.
- (b) The company has given indemnities in respect of performance bonds in the normal course of business.

21. IMMEDIATE AND ULTIMATE PARENT COMPANIES

The immediate parent company is Midas Homes Holdings Limited which is incorporated in Great Britain.

The ultimate parent company is Galliford plc which is incorporated in Great Britain. Copies of the consolidated financial statements of Galliford plc can be obtained from The Company Secretary, Galliford plc, Wolvey, Hinckley, Leicestershire LE10 3JH.

22. RELATED PARTY TRANSACTIONS

The following disclosures are required by Financial Reporting Standard No.8:

- (a) The company has entered into joint arrangements with various third parties for the purposes of residential property development at locations in the West Country. These arrangements are unincorporated and the company's share of profits and assets and liabilities of these arrangements ranges from 12.5% to 50%. During the year ended 30 June 2000, costs totalling £6,323,000 (1999 : £7,213,000) were invoiced to these arrangements and balances due to and by the company are included within other debtors (note 12) and other creditors (note 13) respectively.
- (b) During the year, the company entered into a contract to acquire certain development land with planning permission from a related party - Gerald Wood Homes Limited, which is a company controlled by G P Fitzgerald and D R Wood who are also non-executive directors of the company - on normal commercial terms for £830,000. As at 30 June 2000, contracts have been exchanged and a 10% deposit paid. The contract is scheduled for completion on 1 September 2000 when the balance of the purchase consideration will become payable.
- (c) Transactions with other group companies have not been separately disclosed as, under FRS8, this is not required as the company is a wholly-owned subsidiary of Galliford plc.